

Newsletter 35: *2024 Kiwi saver /Annuity /Superannuation /
Protection Association of NZ.*



Hi everybody

KASPANZ was formed in February 2013, and we continue to enhance our reputation with our regularly refreshed website with retirement income articles and comment. The Consumer voice must be heard, the economist voice, and a limited diet of individual commentators of various worth, needs additional stimulus and Kaspanz tries to provide that through information and influence. Remember to click onto our website www.kaspanz.com on a regular basis to see what is there, and remind friends and associates. We like supporters to join Kaspanz, and this is easily done on the home page.

You can also get free updates of new website information per e-mail alert. Look for the home page icon. The site posts new articles weekly, and we welcome comment. See the disclaimer at the end of the newsletter re content!

Editorial-

What a disappointment to hear Age Concern, Dr Louise Sinden-Carrollon TV 3 news, Sept 27, 2024 proudly proclaiming her own work opportunities.

The research shows that paid work for those aged post 65 years is principally only available to the educated (Dr Carroll), with ill health, rampant ageism bias, and lack of suitable work opportunities, severely impacting the probability of work for seniors. Dr Sinden Carroll perpetuates the myth, that seniors are working by choice, when the lack of income to pay the bills is the principal driver for senior's work, and paid work opportunities limited. Statistics further camouflage the situation. To be in the labour force someone only needs to regularly work one hour a week. This produces meaningless stats; it would be more useful to show one day a week rather than one hour as a minimum to

qualify. Dr Carrells lack of both knowledge and empathy for the actual opportunities available for seniors is astounding, and she works for Aged Care!!!!

BE WARY OF David Seymour. He has no time for seniors and is not to be trusted. He spins the rhetoric of crisis, having little understanding of good public Policy nor community good. He is driven by ideology, which he attempts to rein in, mostly unsuccessfully. He knows projections decades in advance are worthless, they take no account of societal changes, and history reinforces the uselessness of such forecasts. Prophets of doom always use them, relying on ignorance and quick sound-bites to sound plausible. Remember

https://www.nzherald.co.nz/nz/act-leader-david-seymours-embarrassment-cant-afford-to-buy-guy-has-an-interest-in-three-properties/H6PC3IOARTNLTIKGBZP3NN34I/#google_vignette

This is a **2016 article (Nov 28)** by Seymour with the usual Baby Boomer blame approach!

NZ baby boomers are building a banana republic, and no one gives a shit!



The Treasury has made it clear that current superannuation policies will turn our country into a debt-ridden basket case, and yet media remain largely silent and politicians in denial. Young people need to get voting in a hurry, writes David Seymour.

Back when Prime Minister Rob “leave the country no worse than I found it” Muldoon practically bankrupted the government, wisecracking that “New Zealanders wouldn’t know a deficit if they tripped over one”, Ruth Richardson called deficits “fiscal child abuse” and changed the script. By making governments declare their financial position right before an election she

ensured governments do not dare run a deficit without a good excuse, or voters punish them, as Helen Clark discovered in 2008.

Fast forward to 2016, and if running deficits was child abuse, younger voters today are guilty of self-mutilation. By refusing to take part in mainstream politics, most of us too young to remember the 70s or much of the 80s are ensuring politics benefit older voters at our expense. Stat: last election only 49 per cent of 18–29-year-olds voted.

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Recent case in point: You could be forgiven for missing that the Treasury published its four-yearly [Long-term Fiscal Outlook](#) this week (please, please stay with me, I promise this is worth it). The gist of the report is the same as the previous two editions: If no policy changes are made, by 2060, when current students reach retirement age, government debt will be 206 per cent of GDP. In other words, national debt will equal two years' income, worse than the current debt of countries world famous for being fiscally screwed such as Zimbabwe (203 per cent) Greece (179 per cent), Italy (133 per cent) and Portugal (121 per cent). No matter how well you prepare for retirement, you'll be living in a banana republic.

The reason? Ageing baby boomers who will be more numerous and longer-lived in retirement than any generation before them. Right now there are four working-aged taxpayers supporting every retiree, but by the time current university students retire there will be only two.

The cost of pensions and healthcare as a share of the economy will double, the government will run large deficits, and the international financial community will demand higher interest rates on New Zealand government debt, leading to larger deficits. A death spiral that ends in that same community imposing "tough medicine" for the New Zealand economy as a condition of rolling over the government's debt. This has happened to Thailand, Indonesia, Argentina, and Greece during recent crises, where foreign lenders took over policy making for those countries through the IMF.

Obviously, that will not that happen here because we have got a whole generation to avoid it, right? As the Treasury says: "governments have many

options at their disposal to address these challenges, but the challenge gets harder the longer we delay.” Only the wording has changed since their 2009 report said, “The trade-offs become harder and the changes required get more severe as each year of inaction passes.” The realistic options are to raise taxes or cut spending, and the only question is when.

The first way of absorbing the change is to raise taxes by about a quarter, so GST becomes nearly 20 per cent and the top tax rate goes over 40 per cent, along with every other rate being increased by the same proportion. People embarking on their careers now would pay a 25 per cent extra “boomer tax” for being born at the wrong time. Already the polling data shows younger voters want tax cuts more than older ones.

Another alternative is extreme productivity growth, the private economy grows faster than ever for longer than ever, and public services become more efficient than ever. We basically trade our way out of this situation and become so rich we can afford all-you-can-eat pensions and healthcare for retiring boomers. The problem is that pensions are tied to income so getting wealthier just increases the amount paid out. As countries get richer, there are always more new medical treatments to plough money into, so getting richer will not do much to reduce these costs.

The final option is to adjust pension entitlements. Follow Australia, the US, UK, Germany, Canada, to name a few, who have increased the retirement age so there are more workers and fewer pension recipients. That will send a few people over the edge just reading about it, there are no easy options.

You might think that such a major long-term issue would command the focus of political coverage in New Zealand this past week, after Trump calypso and Kaikoura earthquake coverage had peaked. Ruth Richardson’s reforms ensure voters will not stand short term benefits, so long-term ones should be key? Nonetheless I can almost guarantee this is the first you have read of it.

In the 24 hours after the report’s release, there was near total radio (and other media) silence. Bernard Hickey wrote an excellent piece for the NBR, where he pointed out how negligent the rest of the press had been. Radio New Zealand, the station publicly funded to foment public debate? Nada. The two TV news channel? Nothing. The country’s paper of record? Zilch. Commercial radio?

Mike Hosking gave the report a dismissive rant then moved on. Only Hamish Rutherford from Stuff and Bernard Hickey acknowledged its existence. I tried to spark some interest, but despite being covered on TV, radio and in print for everything from the demise of the jelly bean to three Strikes laws, tax, and driving up volcanoes this week, I couldn't get a single outlet to cover this report.

(Update: I have subsequently been contacted by Brian Fallow at the Herald who protests that he did write about the article after all. Well, done him.)

What about politicians? John Key has torpedoed the debate by saying he would rather resign than raise the pension age, effectively saying to his supporters: choose fiscal sustainability, or me. Labour and the Greens have followed suit, abandoning the policy after the last election. New Zealand First would rather serve yum cha at their party conference than debate the issue.

Almost every political leader is holding their hands up to their ears and chanting, "la la la la la."

2024 Kaspanz response to both Seymour's view and Dominick Stephens Sept 25, 2024 Longevity paper.

Longevity in New Zealand report, Alison O'Connell. Alison O'Connell

New Zealand Society of Actuaries PHD

"New Zealand Superannuation is the best protection against longevity risk, and we all need a good NZS system. It is quite possible that, despite the introduction of KiwiSaver, younger cohorts will need NZS just as much, if not more, than older cohorts, because of lower home ownership, lower wage growth, less stable jobs, and lower savings rates."

Dominick Stephens Treasury paper '**Longevity and the Public purse**' became available Sept 25, 2024. His paper focuses upon longevity, and the associated areas of government spending and revenue. It contained no specific suggestions or policy solutions, but infers changes to Superannuation and Health costs (big ticket items) will have to occur, fiscal policy having to adapt.

Already several economic commentators suggest changes to NZ Superannuation settings is required (means testing's, entitlement age) In consumer terms knee jerk reactions from the usual collection of numbers people, most having no qualifications as public policy experts. Economic voices are important, but keep in context, they have a narrow lens, their voices for too long, attributable with sermon-like qualities. Both the Retirement Commission and the NZ societies of Actuaries, have recently produced papers, stating there is no need to change either entitlements or universality etc.

Govt spending is one of political choice, and we already know NZ Super is very sound Public Policy, with no alternatives suggested coming close to viable alternatives. If more revenue is required tax changes in the sphere of Capital gains/land tax/wealth are all suitable options to consider, do not tamper with New Zealand Super. The current Government while espousing expenditure cuts, gave 2.3 billion to already advantaged property owners, with changes to the brightline test, Money is found for a questionable issue, contrasting to the wonderful public policy of New Zealand Super.

Let us reinforce some of the key issues, repeat after me!!!

First challenge a myth. Means testing is a discredited issue, the educated always using assets and trusts to camouflage their own income. Advocating means testing, requires all trusts and asset protection schemes are dismantled, leaving all income transparent. Means testing is admin heavy a cost, but more importantly impossible to target accurately the perceived group at risk, combine the 2 issues and you have an expensive mess.

NZ Superannuation has a unique feature of being taxable, also one of the lowest costs in the OECD both currently and under future settings, assisted by the NZ Super Fund reducing future fiscal costs.

Stephens highlights senior New Zealanders are continuing to work. Remember only the educated are likely to find productive work in their senior years, and coupled with the entrenched bias against senior workers, the work issue for seniors remains highly problematic. Stephens mentions in his paper, that NZ now has the highest proportion of those over 65 working. I question the accuracy of that statement, and the measure being used compared to other OECD countries. Remember New Zealand uses the stats collection of one

hour per week, as being engaged in paid work. This camouflages the issue; it would be more useful if 2 days a week of paid work was the measure used . Those that can find work, are driven by cost-of-living issues, seldom the joys of opportunity.

Senior years are dominated by health issues and this issue of “life quality “is far more important than possible increased longevity, starting to reverse after a trend of increasing by approx. 2 years every decade. Several research projects are showing senior health problems continues as a huge issue, many people carrying significant problems, this is unlikely to change over generations. Chronic neck and back issues, for smart phone users, will only add to the growing obesity, hip and knee, cancer, heart, dementia, and stroke conditions existing .

WHAT IS THE REAL SITUATION?

40% of those receiving NZ Superannuation have no other income source, a figure which has been constant for a long period and is unlikely to change, even with Kiwi Saver.

What does History say . Two of New Zealand’s eminent commentators Martin Hawes and Michael Littlewood have strongly supported the New Zealand Superannuation Model. Littlewood in a 2013 paper *said* “*New Zealand Superannuation (NZS) is one of the simplest, most effective, and most cost-effective Tier 1 schemes in the developed world. We mess with it at our peril*” and Hawes said “*NZ Super is a system so simple and cheap that we need to give people certainty and stop playing football with it.*”

Little wood repeated his comment in 2018, noting NZ Superannuation has one of the lowest total public pensions spending in the developed world, with most OECD countries spending today, what we might spend in 40 years’ time. No crisis here!

Move forward to 2024, the Retirement Commissioner and Society of NZ Actuaries report reinforcing the above comments.

Why then is there such exaggerated rhetoric re pension unaffordability? The answer is the tabloid media approach of headlines rather than article substance, a lack of research discipline, by commentators. Poor knowledge of

trends over time, limited historical analysis, infrequent comparative analysis with other countries and the misuse of economic assumptions abounds. Projected future costs in 50 years' time are worthless in their accuracy; they do not consider future societal adjustments.

Roger Hurnard succinctly reiterated, in an excellent paper(2011) entitled '*Mixed messages: the future direction of New Zealand's retirement Income policies*', that New Zealand Superannuation has several attractive features

- It is extremely low cost in an administrative sense because it is funded out of general revenue, requires no individual contribution records to be kept and places no compliance cost on employers.
- There is no cost in administering an income test or monitoring changes in financial or employment circumstances.
- The absence of any employment or income test means that there are no built-in penalties from earning additional income beyond eligibility age. The present value of future pension wealth embodied in the scheme is unaffected by when a worker chooses to retire. This feature helps to explain why New Zealand has one of the highest rates of labour force participation of older people in the OECD.
- Knowing well in advance how much NZS will be worth, is a benchmark for people to judge how much additional income they need to plan for to achieve their own desired standard of living in retirement.
- Standard amounts for each person signals fairness and promotes social cohesion.

The current scheme covers longevity risk efficiently by providing a known, fully indexed, gender-neutral annuity. This is advantageous for all, particularly for women. " Susan St John, from the Pensions and Intergenerational Equity Hub, Economics Policy Centre at the University of Auckland emphasizes the gender fairness of New Zealand Superannuation," *it's an equalizing force for women upon retirement.*" We must acknowledge this significant fact! Any improvement in our current low productivity statistics will also cut future costs. Māori voices unfortunately are silent on New Zealand Superannuation, any change to an

older entitlement age hurts Māori , already they can claim disadvantage from the present model

The issue is very simple. Nobody has been able to present a coherent and viable alternative to the current model, with costs, fairness and political realities addressed. New Zealand Superannuation has become a generational transfer entitlement wrapped around family, equity and well-being principles. The New Zealand Super model is a world leader, no alternative system comes within a bull's roar of its overarching benefits across a range of indicators.

Neither is it perfect, but any cost saving requirements can be appropriately managed by any number of policy levers, with only minor adjustments required, to the current model.

New Zealand is the smart country with its NZ Superannuation model, let that continue!

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CHINA RAISES AGE PENSION

Men raised from 60-63. Female blue-collar workers from 50-55, and white-collar women 55-58. A Minimum 20 yrs contributory service required from 2030, instead of current 15yrs.

China scheme vastly different to NZ, and with the recent decades of economic surge, the 1960 life expectancy of 44yrs, rose to 78 yrs in 2021, and over the next 30 yrs likely to rise to 80?

On being undeniably, irretrievably old

[David Hill](#)



David Hill is in his ninth decade. In a touching tribute to his late friend, he challenges some myths about ‘old farts’.

[The Spinoff Essay](#) showcases the best essayists in Aotearoa, on topics big and small. Made possible by the generous support of our members.

I’m past The Birthday. Not “the big three-oh” or “four-oh” that callow young things fret about, but the big eight-oh. I am into my ninth decade. I am undeniably, irretrievably old.

Others are kind enough to fudge the fact. Brian at our local still greets our quartet of dotards (combined ages 329) with “Morning, lads,” as we arrive for our Thursday flat whites. Lis some young bar staff, who can bend to pick up a teaspoon from the floor without breaking stride, still chirp, “How are you boys today?” But the truth is bald and bare. I am old.

It astonishes me; amuses me. It provides more humour than any years since puberty; UK writer Joe Moran noted that “old age turns us into comedians by default.”

I am not fearful about it. I do not totally agree with Bernard Barusch, who insisted that old age was always 15 years ahead of where he happened to be, but I still feel mortality is something that applies only to other people.

There is a million of us Gold Card-holders in NZ these days; over 16 per cent of the population. Our number has probably increased since you started reading this essay. It is a statistic usually mentioned in terms of how we strain the nation’s economy and health services. OK, we did get priority in Covid booster queues, but would you prefer a wheezing avalanche of us filling ICU beds?

Truth is, our tax give exceeds our benefit take, and we provide almost a quarter of New Zealand’s volunteers across multiple sectors. But we remain misunderstood by those age groups whose hair still sprouts from their heads rather than their ears.

So, in this year when a young guy on a bus stood up and offered me his seat – I did not know whether to strike the pup or hug him – may I challenge a few myths about our lot?



Safety is not our first priority. Younger people often fret about keeping their olds out of harm’s way, and we do indeed want appropriate security and safety. But mostly we want freedom: to take risks, choose dubious options, startle our kids and grandkids. “Give me liberty or give me death!” – Patrick Henry to the 1775 Virginia Convention, and no, I was not there – has special relevance when applied to our age group.

We are not necessarily unhappy. “From a philosophical point of view, there is no difference between ageing and living,” notes A C Grayling. Reassuring, if opaque. Less buoyantly, 19th century novelist Edith Wharton muttered, “There is no such thing as old age. There is only sorrow.” Sorry, Edie baby, but hardly any of my peers resent being old.

We can feel glum about illness and isolation. We feel diminished and apprehensive when a friend dies – and they do; even the apparently immortal ones. We are not thrilled when a doctor tells us, “You’ll have to learn to live with it.”

(Small digression here: Rall, my excellent GP, says his favourite patients are children. They are honest; they do not dissemble or deny. So, as I approach my *second* childhood, does that mean...)

Anyway, old age itself does not have to mean gloom. Research suggests the unhappiest years of one’s life are the early 40s. “I’m glad I’m not young anymore,” sang Maurice Chevalier (you’ll have noticed that growing older also means increased use of quotations), and the guy had a point.

Nor are we inevitably grumpy. We just value honesty. I applaud a friend who, when the checkout operator droned, “So how are you today?” while staring past her, replied in a stage whisper, “The CIA are watching me.”

We are not slow and forgetful. It is more that messages from brain to extremities have so many friends to visit on the way, plus a more substantial database to scroll through. We are not all hearing-challenged, either; we merely ask that you pronounce consonants as well as vowels.

We are not automatically antagonistic towards fashions, trends, changes. We would be into tattoos, except we are aware that the eagle on a smooth young forearm morphs into a buzzard as said forearm sags.

We are not set in our habits. But some days are a challenge for us, and one way you deal with challenges is to plan a way through them. If we are having a bad time and our plan is suddenly ambushed by something new or disconcerting, then we need time to reconfigure.

I repeat, and not because I forgot having already said it: being old doesn’t automatically mean being a complainer. The excellent kids’ author Betty Gilder dale (think *The Little Yellow Digger*) warned me once, “Old age isn’t for sissies.” Betty would have been in her 80s then. I was three decades younger, and wondered what on earth she meant. Now I know.



I think of my friend Rod who endured a necrotic appendix, Covid, a heart-valve issue, a prostate cancer flareup, all in one month, then pretended outrage at a suggestion he might wish to forego his Thursday long black, and I marvel that so few of my contemporaries ever mention the physical discomforts that attend them.

We are not always irrelevant. Somehow in the last half century, the word “elder”, as in village elder, has yielded to “old”, as in old fart. We may not have the information that those young things have at their digitised fingertips, but we can occasionally offer... let us call it perspective. Nah, let us call it wisdom. (“The main defences of age are silence and wisdom,” noted Jenny Diski.)

The Roman philosopher and Gold Card-holder Seneca reckoned that oldies have power. They can abash politicians and inspire the young. Few people dare reproach or demean them.

A degree of political fantasising there, I suspect, but he is right about that last bit. I can approach a massed slouch of teenagers and they part like the Red Sea in front of me. Last week, one of them said, “Hey, bro,” which lifted me for days. The week before, another told his peers, “Watch out for the old guy,” which could have depressed me for the same period. Pleasingly, I heard my mouth go, “Yeah, he’s really dangerous.” They laughed, with me rather than at me, and a third voice exclaimed, “Cool!” Had I inspired them, Seneca-style? Take the verb literally, and I had maybe breathed a faint friendship into them.

I will add one more research finding: from Leeds University, suggesting that in areas requiring accumulated skill and knowledge, such as dispute settlement and language skills, people become more able over time. So, there we are.

And there, since the arrow of time goes only one way, you will arrive.

Before then, if you happen to drop a teaspoon on the floor of our local, be assured that any of our Thursday group can still pick it up for you. In five separate movements.

And that is where I had planned to end this, with that coy throwaway. But over the weeks and months that I slowly assembled this essay (all my stuff straggles together that way), everything changed for my friend Rod, the coffee lover from several paragraphs earlier.

His prostate cancer returned suddenly; savage and relentless. The last-chance medication made him vomit and faint, and it was not working. He qualified for assisted dying, under the strange, almost arbitrary criteria of the present legislation, and he chose that option.

He told us one Thursday at coffee. "I've had enough, guys." He kept coming for a while. Then we went to see him, talked about his travels, his reading, his Physics lecturing. He stayed splendidly profane about our current government; kept erupting in his glorious shout of laughter.

The afternoon before his life ended, we and others gathered at his excellent daughter Gill's house, where he spent his last weeks. People joked, fell silent, stared at the floor. We three other coffee-takers gave him a tulip cup, the sort from which he had always drunk his long blacks, full of Jaffas the pub had donated. I heard my voice shaking as we hugged goodbye.

I felt dubious about Seneca's words at first reading, but, hell, Rod, you did keep chastising politicians, you lived in a manner to inspire the young, and you ended with a decision beyond reproach. I hope I can do it quarter as well as you did, mate.

For Rod Lambert, 1941 – 2024.

Regards Alec Waugh

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