

NEWSLETTER 36: 2025: KIWI SAVER | ANNUITY /NZ SUPERANNUATION| PROTECTION ASSOCIATION OF NZ.

WWW.KASPANZ.COM



LETTER

Sunday Star Times, Sunday December 8th, 2024. Responding to Tracy Watson "Will the pension be there, when I retire"

There were two glaring omissions in the editorials, firstly no mention of the NZ Superannuation fund, which will mitigate the cost of providing superannuation to some extent. Secondly no mention of health costs for an aging population. It is these latter that were giving treasury officials sleepless nights decades ago, and there is no indication things have changed.

Raising the age of eligibility (NZ Super) is superficially attractive, but will hit those in poorest health in our community the hardest. Means testing is divisive, difficult and adds admin overheads. Would it not be preferable to retain universal payment of NZ Super, from age 65, and introduce a wealth tax of some form to finance decent health provision for all the population?

Geoff Rushbrooke, Lower Hutt

INTRO *In 1996 Len Bayliss Economist, took NZ Journalists/financial Commentators to task for their crisis rhetoric re NZ Super and its sustainability.*

In 2004 he produced this paper

COMMENTS ON NZ SUPERANNUATION ISSUES - BY LEN BAYLISS 10/3/04

1 .The "doomsday" view, that the increasing number of Superannuitants represent a massive future fiscal burden , should be firmly rejected since it is based on flawed accounting, Rather the growing numbers of Superannuitants should be viewed as a valuable and a much-underutilised asset. With the adoption of well designed "Ageing Policies" covering education, training ,health etc Superannuitants can make a much increased social and economic contribution as well as greatly improving their own quality of life .

2 It is highly misleading to focus on the large future increase in government expenditure on NZS , and at the same time ignore the major reductions in government expenditures, reflecting nil population growth, on young and middle-aged dependents and on housing and related activities . In addition, account should be taken of the substantial increase in tax payments arising from a much higher Superannuitants / employment ratio.

3. It is equally misleading to focus on the working age/ Superannuitants ratio which gives an inaccurate and distorted impression of future trends. Rather the prime focus should be on the employed /dependent ratio, dependents are all persons not employed, which is a much more meaningful and balanced policy guide as noted in the OECD report "Reforms for an Ageing Society".

1976 1999 2011 2031

Working age /elderly ratio 61/9 65/12 67/14 60/23

Employed /dependent ratio 43/57 46/54 50/50 48/52

Source OECD and NZ Govt.

4 " Ageing policies", through encouraging Superannuitants employment, are the key to maintaining high employment/dependent ratios and hence to making a substantial contribution to the rising fiscal cost of NZS.

5. The OECD maintains that with major improvements in the health of Superannuitants, there are convincing reasons to encourage (not force) Superannuitants to seek employment - either full or part time and possibly in a changed occupation .Superannuitants should receive their full pension entitlement and should not be subject to discriminatory taxation (i.e. surcharges) which discourage both saving and employment.

6. NZS should be actuarially calculated for an entitlement age spanning 60 to 70. People with a lifetime of hard physical labour should be able to take a pension at 60 and then take up less arduous full or part time employment. The OECD is strongly opposed to a fixed age of entitlement as it is both inflexible and denies Superannuitants greater freedom of choice.

7 New Zealand is much more favourably placed than most other OECD countries as regards the future affordability of superannuation. These countries face serious future fiscal problems caused by early retirement, deteriorating demographics and over generous (by NZ standards) Government pensions. .However, NZ, by contrast, has good demographics, a relatively low cost NZS, improving employment ratios for the 60-70 age group and amongst the best OECD intergenerational accounts.

AN INFORMED SUPERANNUATION DEBATE

An informed debate on New Zealand Superannuation requires meaningful and accurate forecasts and assumptions. These include

1. Accurate statistics not only on the future cost of NZS but also of other changes arising from the same demographic projections. For instance, with a static or declining population forecast in 40-50 years' time there will be major expenditure reductions

- On investment in housing, roading, education buildings, hospitals, power generation, water, sewerage etc.

- On education, prisons, police, DPB, maternity services etc because of reduced numbers of young and middle-aged dependents

2. Market forces and better health will significantly increase the numbers of employed Superannuitants and this number would be markedly increased with effective "Ageing policies". Hence a proportion, probably a significant proportion, of the increased cost of NZS would be financed by the increased tax take from a much higher number of employed Superannuitants.

3. Debate should focus on "employed /dependent "ratio which is the critical relationship. Persons or organisations stressing working age /superannuation ratios should be pilloried by the media for deliberately propagating misleading statistics. About a third of the working age population are dependents whilst the number of employed Superannuitants will rapidly increase.

By Martin Hawes. 2009 Book 20 Summers

KEY POINTS:

Almost all investment literature is for those wanting to build wealth - very little is written for people who want to use their investment capital to give them income on which to live.

This is why I wrote Investing for Twenty Good Summers - Making your money work so you don't have to.

This new book is aimed largely at older people to help with investment.

There will come a time when you cash up and need to use your capital to derive income. Achieving sufficient income from savings so that you can enjoy 20 good summers is always a challenge.

However, deriving income from investment capital is even more challenging at present - interest rates are down and investors have been scared off property and shares.

I apply the following five principles when I help someone invest so that they can enjoy their 20 good summers.

First, drip feed your money gradually into the markets.

If you had cashed up a couple of years ago and invested all of your money at that time, you would probably be looking at some fairly severe losses right now.

Establish what your asset allocation should be, and then take a number of years to drip feed your money into the markets to achieve the planned allocation.

Second, diversify as widely as possible. This includes some offshore investments as well as allocations to shares and property. You will need some income growth to keep up with inflation (20 good summers will hopefully become 30 or even 40 good summers) and this growth comes from shares and property.

This year will see good dividends from shares and listed property trusts - take advantage of them.

Third, do not reject completely investments that give good capital growth but very low income. It is true that you need income on which to live, and many older investors therefore look for high-income investments, but ignore investments that offer high capital growth.

However, remember a capital profit is every bit as good as an income profit - you can always access capital profits by selling a few shares or units.

Fourth, your fixed interest allocation should be in good quality bonds.

Do not be tempted by higher returns into riskier investments - this part of the portfolio is meant to give you certainty and you do not get that from junk bonds.

Fifth, keep some cash to tide you over for a period when markets are down. The worst thing that can happen is that you become a forced seller, having to sell at a down time in the markets, then not being in there when markets recover.

I do not like the idea of "retirement" - I would rather think in terms of 20 (or more) good summers.

The thing you have to remember is that the investment advice that might be offered to a 40-year-old does not necessarily apply to you - you always need to invest to match your age and stage.

A LETTER TO SHANE RETI

Dr Shane Reti Private Bag 18888
Parliament Buildings
Wellington 6160

TWO ISSUES: VAPING AND AGED CARE ISSUES

Dear Dr Shane Reti

My name is Alec Waugh. During the 1970's and 1980's I was very involved in Police Youth Aid, and for a period year was the National Police Headquarters Youth Aid Co-ordinator. I was a guest presenter at the 2005 Philadelphia World Criminology conference in the early 2000's, on Police issues. I have a master's degree in public policy and a bachelor degree in History and a strong evidence-based background. I mention this to show I have skin in the game.

I write to you on 2 issues, Youth vaping, and Aged Care both at different ends of the spectrum, but equally important

Following the recent Patrick Gower Documentary on Vaping, and my own assessment of the literature e.g. Bonnie Halpern-Felsher, a Stanford University paediatrics professor, Harvard News , Effects of vaping on uptake and cessation of smoking: Longitudinal analysis in Aotearoa New Zealand adults [Andre Mason](#), [Benjamin C. Riordan](#), [Taylor Winter](#), [Tamlin S. Conner](#), [Chris G. Sibley](#), [Damian Scar](#), Harvard Chan School of health, Weighing benefit vs. risk of newly authorized e-cig products, Howard Koh, Vaughan Rees and David Christian.

I came to the following assumptions re Vaping in NZ

1. Vaping for teenagers and younger is dangerous, addictive, with nicotine a key component in the Vapour substance. While the law (2020) does not allow sale to fewer than 18yr olds etc, this law is not effective to thwart distribution to youngsters. Distribution efficiency needs to be further assessed, with fewer than 18 yr olds being found in possession, an automatic referral to Police Youth Aid etc.
2. For an addicted adult smoker, Vaping is a better alternative, but the unintended consequence is our youngsters are becoming addicted to nicotine, and indicators are that alcohol, heavy metal, and other chemical substances and of course vegetable glycerine, probably compounding the danger of vaping.
3. The mixing of two separate issues, adult smokers changing to Vaping, and youth attracted to Vaping, is counter-productive, camouflages issues in both areas, and leads to a muddle of regulation.
4. The unregulated and inconsistent social media platforms and marketing of fruit flavoured Vapes, is a marketing combination which is capturing many of our youngster's interest and subsequent usage. I would recommend no sweet or fruit-flavoured ingredient, be allowed mixed with nicotine, the heart of the Youth vaping issue
5. Vaping shops exceed KFC outlets in our larger cities, and over 700 now exist.
6. I note over 30 countries ban vaping.
7. I note social influencers are everywhere, no regulation to contain there marketing impact

In essence and contrary to many OECD countries, NZ has unleashed a substance (Vapes) on our younger generation, of

immense harm, the Government allowing the addictive business model to take hold.

Shame on our regulatory bodies and New Zealand Parliament members.

AGED CARE ISSUES

A host of articles are now circulating on the underfunded Aged Care Model, with both Labour and National Partys, letting this area drift over decades. A worrying trend of neglect. I also note recent salary claims for public nursing have not included those working in the Aged Care, Plunket, Māori and Iwi care, and community Health nurses. Both for equity and recruitment/retention issues, these needs to be addressed quickly.

A summary of aged care issues I wrote up recently, said this

"Private businesses and charities contract with NZ Health to provide aged care beds, and the cost of a person's stay in aged care is met by either government rest home subsidies or from their own private wealth or a mixture of both. Underfunding by the government means little current incentive for existing aged care providers to increase their investment in new beds or facilities."

Summary: Aged care beds are only provided by private providers, contracted to NZ Health

- Can the aged care sector cope with aging population? It needs extra 15000 beds by 2030, but this year alone lost 1500.
- Low funding, insufficient staff numbers, and losing bed numbers, Arvida and Ryman are retreating from care beds focus. The sector is shrinking in terms of bed and staff.

- Low spending compared to OECD at a time of demographic aging increase.
- Current funding model is now 20 years old.
- Occupational rights suite beds (pay) are starting to appear. Capital charge for access to the care suite.
- NZ is moving into aged care later; 1988 average age 79, 2021 85 (people coming later with more complex issues).

The current funding model requires urgent attention.

Alec Waugh

WHAT WILL AGE CARE LOOK LIKE FOR THE NEXT GENERATION? MORE OF THE SAME BUT HIGHER OUT-OF-POCKET COSTS.

Written by an Aussie, for Aussie audience following their Royal Commission into Aged Care. Sounds familiar eh!

Published: March 12, 2024

Author Hal Swerissen Emeritus Professor, La Trobe University

Aged care financing is a vexed problem for the Australian government. It is already underfunded for the quality the community expects, and costs will increase dramatically. There are also significant concerns about the complexity of the system.

In 2021–22 the federal government spent a\$25 billion on aged services for around 1.2 million people aged 65 and over. Around 60% went to residential care (190,000 people) and one-third to home care (one million people).

The final report from the government's Aged Care Taskforce, which has been reviewing funding options, estimates the

number of people who will need services is likely to grow to more than two million over the next 20 years. Costs are therefore likely to more than double.

The taskforce has considered what aged care services are reasonable and necessary and made recommendations to the government about how they can be paid for. This includes getting aged care users to pay for more of their care.

Our mission is to share knowledge and inform decisions.

About us

But rather than recommending an alternative financing arrangement that will safeguard Australians' aged care services into the future, the taskforce largely recommends tidying up existing arrangements and keeping the status quo.

No Medicare-style levy

The taskforce rejected the aged care royal commission's recommendation to introduce a levy to meet aged care cost increases. A 1% levy, similar to the Medicare levy, could have raised around \$8 billion a year.

Read more: [Government's aged care report proposes older Australians pay more but eschews a levy](#)

The taskforce failed to consider the mix of taxation, personal contributions and social insurance which are commonly used to fund aged care systems internationally. The [Japanese system](#), for example, is financed by long-term insurance paid by those aged 40 and over, plus general taxation and a small copayment.

Instead, the taskforce puts forward a simple, pragmatic argument that older people are becoming wealthier through

superannuation, there is a cost-of-living crisis for younger people and therefore older people should be required to pay more of their aged care costs.

Separating care from other services

In deciding what older people should pay more for, the taskforce divided services into care, everyday living, and accommodation?

The taskforce thought the most important services were clinical services (including nursing and allied health) and these should be the main responsibility of government funding. Personal care, including showering and dressing were seen as a middle tier that is likely to attract some co-payment, despite these services often being necessary to maintain independence.

The task force recommended the costs for everyday living (such as food and utilities) and accommodation expenses (such as rent) should increasingly be a personal responsibility.

Making the system fairer

The taskforce thought it was unfair people in residential care were making substantial contributions for their everyday living expenses (about 25%) and those receiving home care were not (about 5%). This is, in part, because home care has always had a muddled set of rules about user co-payments.

But the taskforce provided no analysis of accommodation costs (such as utilities and maintenance) people meet at home compared with residential care.

To address the inefficiencies of upfront daily fees for packages, the taskforce recommends means testing co-payments for home care packages and basing them on the actual level of service users receive for everyday support (for food, cleaning, and so on) and to a lesser extent for support to maintain independence.

It is unclear whether clinical and personal care costs and user contributions will be treated the same for residential and home care.

Making residential aged care sustainable

The taskforce was concerned residential care operators were losing \$4 per resident day on "hotel" (accommodation services) and everyday living costs.

The taskforce recommends means tested user contributions for room services and everyday living costs be increased.

It also recommends that wealthier older people be given more choice by allowing them to pay more (per resident day) for better amenities. This would allow providers to fully meet the cost of these services.

Effectively, this means daily living charges for residents are too low and inflexible and that fees would go up, although the taskforce was clear that low-income residents should be protected.

Moving from buying to renting rooms

Currently older people who need residential care have a choice of making a refundable up-front payment for their room or to pay rent to offset the loans providers take out to build facilities. Providers raise capital to build aged care facilities through equity or loan financing.

However, the taskforce did not consider the overall efficiency of the private capital market for financing aged care or alternative solutions.

Instead, it recommended capital contributions be streamlined and simplified by phasing out up-front payments and focusing on rental contributions. This echoes the royal commission, which found rent to be a more efficient and less risky method of financing capital for aged care in private capital markets.

It is likely that in a decade or so, once the new home care arrangements are in place, there will be proportionally fewer older people in residential aged care. Those who do go are likely to be more disabled and have greater care needs. And those with more money will pay more for their accommodation and everyday living arrangements. But they may have more choice too.

Although the federal government has ruled out an aged care levy and changes to assets test on the family home, it has yet to respond to the majority of the recommendations.

But given the aged care minister chaired the taskforce, it is likely to provide a good indication of current thinking.

Regards Alec Waugh

Chairman Kaspanz www.kaspanz.com

YOUR \$10 FAMILY SUBSCRIPTION

PAYMENT GOES TOWARDS OPERATING COSTS, SEMINARS AND CONFERENCES AND REPRESENTATIONS TO GOVERNMENT.

SEND PAYMENT TO: KIWI BANK 38-9015-0111409-00—

DIRECTS BANK TRANSFER, OVER THE COUNTER AT KIWI BANK 11

(IDENTIFY WORD KASPANZ AND ACCOUNT NUMBER 38-9015-0111409-00) .

1. REMEMBER ITS ONLY \$10 AND PUT YOUR SURNAME WHEN YOU PAY, SO WE CAN IDENTIFY THE PAYMENT

DISCLAIMER

The information in this newsletter is of a general nature only, and is not professional advice. Kaspanz accepts no liability for its accuracy. The newsletter is principally the work of the

current chairman of Kaspanz, and articles and views are not to be regarded as Kaspanz policy. The intent of the newsletter is to provide information, to assist the reader in their own various view points, and is not paid content; it is compiled on a voluntary basis. It is an attempt to be helpful to readers on retirement income matters and policy commentary. No liability is assumed by Kaspanz for losses suffered by any person or organisation relying directly or indirectly on information published on this site. Views expressed in any article are the views of the respective authors.
