

## **Newsletter 37: 2025Kiwi 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](http://www.kaspanz.com) on a regular basis to see what is there, and remind friends and associates.

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**

*I love Sam Stubbs. But his “Minister move on super encouraging but Kiwi Saver needs to be compulsory” contains false premises, that NZ Super is becoming unaffordable, and payments will need to be reduced or age of entitlement raised. His view is contrary to the Retirement Commissioner and the NZ Society of Actuaries findings, and no viable alternative is suggested, except to make Kiwi Saver compulsory. Superannuation is always a big-ticket item, but the NZ scheme is efficient, and cost effective and taxable, when compared to all other OECD countries. New Zealand Superannuation is a generational transfer entitlement wrapped around family, equity, and well-being principles It is inter-generational, wonderful public policy. Any change in rate or eligibility age, will only produce costs in other areas e.g. accommodation supplements, and unemployment benefits No alternative to NZ superannuation, has ever emerged, Susan St*

*Johns a basic universal income is a fine effort, but politically not viable and flawed with its intergenerational bias. The funding of other policy needs for infrastructure, health etc is in the sphere of capital gains tax, inheritance tax, land/wealth tax and stamp duty, all more appropriate and targeted than dismantling wonderful public policy e.g. NZ Super/Kiwi Saver schemes.*

#### **Comment from Reader Malcom Menzies**

*I like Sam too, for the way he has shaken up the KS market, but he is creating a moral panic about the sustainability of NZS. Unfortunately, as a go-to commentator in the media, (and with help from others) he is being quite successful. Good on you Alec, for putting up the opposing case. We need to keep on stating the net cost of NZS as a percentage of GDP over time (I do not have the exact figures to hand but AI tells me it is currently 4%, rising to 6.5% by 2068/69) and in comparison, to other OECD countries' expenditure (way below the average). That means testing is costly to administer, intrusive (Ask Australians what they think of Centrelink) and susceptible to gaming. As an investment fund manager Sam has conflicts of interest and does not take a whole system view, including the negative impacts of compulsion – e.g. I bet it would eventually lead to KS replacing NZS (this was the long-term goal of the 1975 scheme, and of Michael Cullen).*

*Sam also makes basic errors: referring to National Super when it has not been called that for decades; The 1975 scheme was compulsory, not voluntary and the only time since 1898 that we have had compulsion. We know that NZS is not enough for most to sustain their pre-retirement expenditure, but that is what KiwiSaver is for – a top up.*

*The key to NZS's sustainability is a productive economy (the same applies to the so-called "dependency ratio"). Rather than sniping at NZS, policy makers and advocates need to get cracking on a few elephants in the room, such as our over investment in property and other sectors with low productivity growth. This is no socialist construct - the [IMF](#) is pointing the way.*

#### **LETTER FROM GEOFF RASHBROOKE-**

Commented [AW1]:

Sunday Star Times, Sunday December 8<sup>th</sup>, 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.

[https://www.pressreader.com/new-zealand/sunday-star-times/20250608/282029038176837?srsIid=AfmBOoqbgEMwNmK0nLAhJ7n7\\_wgDsBQPUYhn1W7R7nFheUlrW7M3Zukm](https://www.pressreader.com/new-zealand/sunday-star-times/20250608/282029038176837?srsIid=AfmBOoqbgEMwNmK0nLAhJ7n7_wgDsBQPUYhn1W7R7nFheUlrW7M3Zukm)

## **GLOBAL BURDEN OF DISEASE (GBD)**

The GBD study is the largest and most comprehensive effort to quantify health loss across places and over time, so health systems can be improved and disparities eliminated

### **We are Living longer but sicker**

NZ Commentators always seem to begin with increasing longevity and better health, as givens when discussing retirement income and lifestyle issues.

GHB reports while the good news is the latest forecasts suggest that more *people are expected to live longer, the bad news is that more years will be spent in poor health*. The latest findings from Global burden of Disease study forecast that global life expectancy will increase by 4.9 years in males, and 4,2 in females in the period between 2022 and 2050. The average number of years a person can expect to be in good health, will also increase from 64.8 yrs in 2022 to 67.4 years in 2050. The trend is largely driven by public health measures, e.g. prevention and improvement rates for surviving cardiovascular disease.

The study indicates an ongoing shift in disease burden to non-communicable diseases, like cancer, chronic obstructive pulmonary disease, and diabetes, and increasing exposure to risk factors like increasing obesity, poor diet, smoking and vaping, will have an increasing burden on the next generation.

In NZ the rise of obesity etc, would appear to be a trend, that will have an increasing burden on both longevity and daily health, the ability to work and maintain income reducing. Recently the NZ Medical Journal reported NZ is 3<sup>rd</sup> in the OECD for obesity, with obesity and associated health issues rampant, linked to cancer.

Those longevity stats over the last 4 decades trending up, but now stalled, might well start to decrease, and poor health in the last few years increasing.

27 May 2025, Liz Koh Source Lifetime Income NZ

## **IS THE RETIREMENT INCOME SYSTEM FIT FOR PURPOSE?**

Back in October 2020 the Retirement Commissioner, Jane Wrightson, worked with an expert panel to create a purpose statement for New Zealand's retirement income system. This system consists of NZ Superannuation, KiwiSaver, and private savings. The resulting purpose statement reads:

"A stable retirement income framework enables trust and confidence that older New Zealand residents can live with dignity and mana, participate in and contribute to society, and enjoy a high level of belonging and connection to their whanau, community, and country.

To help current and future retirees to achieve this, a sustainable retirement income framework's purpose is twofold:

1. To provide NZ Superannuation to ensure an adequate standard of living for New Zealanders of eligible age. NZ Super is the Government's primary contribution to financial security for the remainder of a person's life.
2. To actively support New Zealanders to build and manage independent savings that contribute to their ability to maintain their own relative standard of living.

The retirement income system sits within the broader government provision of infrastructure also needed to enable older New Zealanders to live well, such as health care, housing, and transport."

### **How is it tracking?**

The purpose statement is intended to be used to gauge the effectiveness of retirement income policies. So how did the Government do in its latest budget?

The budget includes an increase in government spending on NZ Super of about 6%. However, this is not a policy change. It is driven by the increasing number of people reaching retirement age and the annual inflation adjustment to payments. As with most other government budgets, the focus this year is not

on retirees, but on young families, the unemployed and businesses. It would be a welcome change to see a budget that specifically addressed the needs of retirees.

### **Good news for (some) retired ratepayers**

There is a little bit of good news for Super Gold cardholders. The rates rebate scheme will now have a maximum rebate of \$805 (up from \$790) and the income threshold for eligibility will be lifted from \$31,500 to \$45,000 – about the income of a couple receiving superannuation. This should see around 66,000 more people being eligible for the rebate.

However, the rates rebate does little to help people who work beyond the age of 65, either by choice or because they cannot afford not to, as their incomes will most likely make them ineligible. Nor does it solve the problem identified through the Massey University Retirement Expenditure Guidelines which shows clearly the substantial gap between NZ Super and actual living costs in retirement.

### **Taking a chisel to KiwiSaver**

The Government is concerned about the increasing cost of supporting the retirement income system. The underlying message appears to be one of encouraging people to provide for

themselves when they retire. To that end, the annual tax credit paid to KiwiSaver members has been halved for the second time, taking it to around \$250, while the minimum contribution for both KiwiSaver members and their employers will increase from 3% to 4% over the next couple of years.

Some employers pay their staff on a total remuneration package which includes KiwiSaver contributions. This means some may face a 2% reduction in salary unless their total remuneration is increased to reflect the change. Meanwhile, for the self-employed, the \$250 tax credit does not provide a meaningful incentive to join KiwiSaver.

You could argue that KiwiSaver has matured to an extent that people no longer need incentives to join. Perhaps the next step is to eliminate the tax credit altogether and/or to make KiwiSaver compulsory. This would be one way of

strengthening the retirement income system without an additional cost burden on the government, but it would make it even harder for those struggling on low incomes.



Figure 1 Liz Koh

### **Health and homes**

As noted in the Retirement Commission's purpose statement, healthcare, housing, and transport are also key to living well in retirement. The budget increase in healthcare spending is good news for retirees, many of whom end up on long waiting lists for surgery and specialist appointments. However, there is no mention of the plight of the growing number of retirees who rent or are still paying off a mortgage. Innovative housing and finance solutions are necessary to protect them from sinking into poverty.

Perhaps it is time for retirees to have a louder voice and advocate for a sustainable retirement income framework that more fully reflects its purpose.

Liz Koh is a money expert who specialises in retirement planning. The advice given here is general and does not constitute specific advice to any person.

*\*\*\*Editor's note: NZ Super and KiwiSaver provide that framework. The predators working against this are the current Government, (ACT/National). This is not just a swipe, history and remarks clearly show Act would make drastic changes (means testing, age of eligibility) and National usually without consultation, announce changes taking away, rarely enhancing.*

### **DAVID SEYMOUR AND JANET WILSON (commentator)**

Both Acts David Seymour and Janet Wilson (ex-National Party staffer) are spreading misinformation re the opportunities for people post 65 working. The definition for capturing paid work is loose (1 hour per week counts as in paid work) it is unhelpful. For the record here is the definition used, make your own

decision on its usefulness. *In the House Hold Labour Force Survey (HLFS) used by Stats NZ, a person is considered employed if they worked for pay or profit for one hour or more, or worked unpaid for one hour or more in work that directly contributes to a business. Additionally, someone is considered employed if they have a job but are not at work due to illness, leave, or other reasons*

The reality for those over 65 is regular work is only available for those educated or in a niche field e.g. A Doctor working part time post 65 years. For the great majority, many are unable to work due to health, mental burn out, or physical decline.

For those who would like to supplement their income, rampant bias within the employment and recruitment industries against aged workers, reduces opportunities to a minimum, and because of this work conditions and fair and consistent work availability is often marginal.

Janet Wilson in a glib recent article said “turning 65 now no longer heralds the hard life-change the gold-watch drinks party once had but simply becomes a transition into other full or part-time work”, and last week David Seymour in the House, commented “many people here in Parliament can work past 65”.

Both Seymour and Wilson need to recognize that NZ Super is excellent public policy and requires a Parliamentary accord acknowledging “ *New Zealand Superannuation has become a generational transfer entitlement wrapped around family, equity, and well-being principles. It is there already for future generations, supported by Kiwi Saver.*”

The funding of other policy needs is in the sphere of capital gains tax, inheritance tax, land/wealth tax and stamp duty, all more appropriate and targeted than dismantling wonderful public policy e.g. NZ Super/Kiwi Saver schemes.

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