

**Newsletter 39: 2025 Kiwi saver |Annuity /Superannuation|
Protection Association of NZ.**



New Year 2026 issue



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

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EDITORIAL

While in Australia recently sought out several retirement income comments, and senior health issues.

1. Noted Dementia confirmed as Aussie biggest killer as deaths data serves up the hard facts. Societal aging is stretching resources, and NZ mirrors the Aussie situation. Obesity a rising factor for both countries, wait until obesity impact the longevity stats.
2. Following the Royal Commission on Aged Care, care fees have risen. Those that can afford to pay more, though note in Australia, capped fees (maximums) apply. Aussie aged care fees changed from 1 November 2025, introducing a new structure with a basic daily fee (around \$65.55/day), optional means-tested contributions (hotelling & non-clinical), and accommodation costs (RAD/DAP). The *Support at Home* program also changed, with lifetime caps now applying, and the *higher everyday living fee* replaces old extra service fees. You pay based on your income/assets via a My Aged Care assessment, with caps and lifetime limits in place.
3. Australian Superannuation (complicated and complex) appears to favor the wealthy and those who can camouflage income by Trusts, and engage legal expertise to prepare their returns.

4. Great comment by John Lyons in his biography *Laws a Life of Power*, Radio commentator Aussie. *"The history of commercial radio in Australia, shows a mass audience responds best to glib, reactionary viewpoints with few allowances for subtleties. The world according to talk back is black and white, shades of grey take up time. And it might be boring-the surest way to lose an audience.* This also explains Trump attraction, simple messages delivered with certainty, the content only of interest to the academics. The Left need to learn how to fight fire with fire, call out fools and idiots, simpletons, radio and on-line trolls, and stare down the microphone in a convincing manner.
5. Talking of misinformation and poor writing, the Money Hub NZ Team broke their usual convention of sound consumer advice on many issues, by doing a crisis rhetoric opinion of the Future of NZ Superannuation. I thought it may have been written by David Farrar a right-wing activist, but no it came from the Money Hub team, full of opinion, conjecture, mis- use of stats and contained the many common and often inaccurate assumptions commentators often emerge with. I critiqued the work with the Money Hub Team (Christopher Walsh), and they were somewhat contrite. Money Hub often does a great job, but this was not of their usual standard!

ON THE BUTTON

This article clearly sums up the "silly thinking" led by National, but often followed by the others. Luxon came to Power on "supporting best evidence policy" yet exhibits awful retirement income decisions.

[Is KiwiSaver going to save us from the weather?](#)

[Susan St John](#)

The last week brought more agonising and expensive climate change disasters with loss of life and livelihoods. Many New Zealanders have connected the dots between repeated floods, landslips, water pollution, with the wilful neglect of political long-term thinking and the decaying infrastructure that exposes us to further harm.

In Monday's [radio NZ interview](#), Luxon sidestepped questions on his party's woeful lack of climate change action to focus on the major 3 reforms he is relying on "to make the country fundamentally wealthier and lift the living standards of everyone."

In order, these are: KiwiSaver increase to 12%, RMA reforms, and education reforms as set out in his [The State of the Nation Speech](#).

What we need is real leadership to forge a collective multiparty agreement to ensure immediate prioritising of the existential threats we face. Our brightest and best should be working on it. Instead, Luxon makes his election promise of 'KiwiSaver changes' the primary centrepiece. If this is the best he can offer the nation, we may as well turn off the lights now.

To put it into context KiwiSaver is [already being lifted to 3.5% employee /3.5% employer](#) from April this year. By 2028 it will be 4%/4%- or total of 8%. For the high-paid, well-off KiwiSaver, balances will surge even further ahead, leaving behind the long tail of those who have had to cash in their KiwiSaver, or put it on hold to survive this recession. Many under total remuneration packages, must find the extra themselves, while the self-employed and

contractors have very little incentive to set up or to contribute to their KiwiSaver at all.

It is bizarre that National's 'long-term thinking' is to announce a policy that forces the private sector to save more. He says he wants 'to support financial security' by: gradually increase employer and employee contributions over time, rising to 6 per cent each by 2032, and a combined contribution of 12 per cent, matching Australia.

In Luxon's misguided view of economics, more savings will materialise, and indeed it may for some well-placed employees. But others will simply reduce other savings and repay their mortgages more slowly, especially when they are already struggling under the 4% rate.

Furthermore, workers can expect smaller future wage increases as the employer struggles to pay the extra contributions.

Ultimately it makes little difference to who bears the burden whether contributions are split between employer and employee, or all paid by the employer alone as in Australia. Make no mistake, there will not be more financial security for any but the top earners while women, self-employed, disabled, sick, Māori and Pasifika will fall further behind.

The second fallacy in the simplistic idea Luxon has presented, is that somehow those savings will magically result in the kind of investment needed to make the economy grow. If 6% has not achieved this, and the rise to 8% is likely to hurt the recovery, 12% is not going to do it either. Basic101 economics says more savings does not guarantee more real investment, nor quality investment, and especially not the mitigation of climatic catastrophes investment we need for our collective survival.

Luxon's claim he is 'Matching Australia' is just wrong. Does Luxon know about Australia's system? Will he match that country's tax incentives for superannuation? Perhaps is this a Trojan horse for doing what [National have wanted to do all along](#)- take the pressure off NZ Superannuation by means-testing it like the Australians do?

Does he know that an [Australian means test is based on joint marital income and assets and is very comprehensive, intrusive and complex?](#) One suspects that would be very unappealing to New Zealanders.

Luxon's plan is not about increased financial security for you and me, his plan is to shift the risks of pension provision away from government and onto workers. That is achieved by offsetting part of a person's larger (but riskier) lumpsum KiwiSaver against their (stable and secure, state protected) NZ Super income entitlement.

The next statement from the speech also tells us what is coming sooner than we think, regardless of advice from the Retirement Commission and [others](#)

... to support New Zealanders' financial security, against a backdrop of an aging society and an inevitable lift in the retirement age.

So that is already decided; New Zealanders will have to both save more and work longer regardless of health or circumstance.

The second reason he is so keen on his KiwiSaver plan is to establish a spine of national capital, sheltered from the winds of financial and political change offshore, and available to invest in the businesses and infrastructure here at home that we will need to become richer as a society.

How does that work when KiwiSaver is largely invested in paper assets (shares) of other countries? Is he seriously considering commandeering private KiwiSaver contributions and forcing their investment in the likes of hospitals, pipes, and roads. If so, what return will be paid to a private KiwiSaver? How is that cheaper than state borrowing? Won't KiwiSaver have to be compulsory? Ironically, does not all this state control remind you of Muldoon and invite famous barb that it is just 'communism by stealth'?

And third, to improve the returns from work and make New Zealand a more attractive place to build a career and raise a family, by closing the gap with Australia on superannuation contributions.

Oh dear. This is closing the gap by making us feel even poorer through the forced 12% saving. Employers do not have a magic money tree: after waiting so long for the elusive recovery, gross wages are doomed to grow much more slowly as discussed.

All the while, those trying to raise a family on a limited wage face unaffordable housing and a punitive tax regime including 15% GST on everything. Is Luxon planning to 'close the gap' by reducing GST to the Australian 10% while taking it off the basics as they do? Will he also introduce a zero-tax band like OZ does for the first \$18,200 earned? Will he reduce the abatement of working for families and repayments of student loans to reduce New Zealand's punitive EMTRS to match those of Australia?

He has gutted KiwiSaver by removing all but the very last vestiges of subsidy. But the baby-boomers will be fine- they got the best of the state subsidies for KiwiSaver and now are getting the best of NZ Super.

If KiwiSaver remains voluntary and unsubsidised- most low-income people will not be able to afford to be in it- so forcing them via compulsion is the only way. Is this how he intends matching the Australian way?

We have announced these changes early, so employers and employees have plenty of time to prepare, but over time we expect they will lead to much larger retirement balances.

Oh good, plenty of time to prepare to go to Australia. Luxon's examples below are ludicrous, pie in the sky, they ignore gender issues and grossly overstate the likely outcomes for most of the population.

For a 21-year-old earning \$65,000 and making default contributions in line with the changes already delivered at this year's Budget, they could expect to retire with around \$1 million in their KiwiSaver account by the time they turn 65.

Following National's proposed changes, that same individual could expect their KiwiSaver balance to be around \$400,000 larger – or around \$1.4 million in total – assuming they increase their contributions to the planned higher default rates over time.

Luxon finishes with a triumphant election flourish— The magical retirement balance of \$1.4 million is only if you elect National.

That is a big change, it is critical to our plan to build the future, and it will only happen with a National Government after this year's election.

If that is how he plans to build the future and threatens 'only with National' as if there is no alternative, we are

locked into a visionless, aimless, more divided backwater of ever more inevitable climate change induced tragedies.

LETTER FROM THE PAST

Malcolm Menzies has impeccable credentials to comment on NZ Super. This was a 2018-piece, applicable today, and a more recent letter relating to Janet Wilson piece on NZ



Superannuation

It is misleading to say that the cost of NZ Super will treble over a long-time frame, without acknowledging the effects of inflation and real economic growth. That is why it is standard in the OECD to use percentage of GDP as a basis for comparison. According to figures from Treasury website, in 2018/2019 NZ Super net cost will be 12.3 billion, or 4% of GDP (roughly half the cost of the OECD average, in 20 years the cost is projected to be 38.1 billion, which will be equivalent to 5.6% of GDP. An economic cost that is 40% more than today's is not a catastrophic increase.

Dear Editor

It is preposterous for Janet Wilson to claim (14 May) that our current public pension was designed 127 years ago. It is true that the first pension was introduced in 1898, but it looked nothing like our current system. That 19th - Century pension was subject to a rigorous means test covering both income and assets (a feature that Janet Wilson seems to want back). Other

provisions included evidence of good character and the requirement to apply in a public court session. It is difficult to imagine that happening today. The system was changed in 1938 with the Social Security Act, then again in the 1970s when the forerunner of New Zealand Super (NZS) was introduced. The new scheme was prohibitively costly, and had to be wound back in the 1990s. In other words, the system has been redesigned several times. Through numerous reviews since, it has been found to be fit for purpose. If a case is to be made for change to NZS, it is important to be clear about its history, and its economic costs over time. For Janet Wilson to cite only the nominal cost, without also referencing the percentage of GDP spent on NZS - well below the OECD average - is misleading.

WHAT THE SENSIBLE ADULTS DO NOT TELL YOU ABOUT THE COST OF SUPER. GEOFF RASHBROOKE 28 JUN :2025

One of the firmest beliefs held by elite commentators – and one of the most ill-founded – is that New Zealand Superannuation is unaffordable. It is, in certain circles, a truth universally acknowledged, an opinion not worth questioning, the ultimate proof that our political system – which obstinately refuses to deal with the “problem” – is broken.

Nor does this opinion exist by itself: it forms part of an incessant drumbeat of fear, a repeated motif that there is no more money left. The country is about to go bankrupt, children, and the Sensible Adults are here to tell you that it is time to cut super’s cost. The basis for all this alarm?

A projection that that cost will rise from 5% of national income in 2021 to – in 2060 – a startling ... 5.9%.

Hang on, you may think: that sounds like nothing at all. But surely the Sensible Adults can’t be wrong?

As it turns out, they are. Their own, more alarming calculations typically fail to account for the multi-billion-dollar contributions the Super Fund will soon be making, not to mention the extra tax all those old people will pay.

Economist Bill Rosenberg, writing a few years back, pointed out that once those facts are incorporated, the estimated cost of Super in 2060 drops from 8% of national income to the 5.9% quoted above. And that is on current settings, including eligibility at 65.

Ah but, the Sensible Adults say, you have forgotten about the dependency ratio. The total cost increase may be small, but a declining number of working-age people will each have to pay a skyrocketing amount.

Again, though, Rosenberg has a riposte. More pensioners will be counterbalanced by fewer children, so the number of non-working-age people sustained by each working adult in 2060 will be not much different to what it was in 1972. (Many people, moreover, will work past 65, easing the burden on younger adults.)

Nor is this a rogue interpretation. The Retirement Commission established last year that our pension spending is the eighth lowest of 38 OECD nations. Claims about super's unaffordability, the commission concluded, are "not supported" by hard facts.

Still, the Sensible Adults insist, our retirement age remains ridiculously low. Again – alas! – inconvenient truths intrude. We already have a higher age of eligibility than 70% of developed countries, the commission found.

And, contra elite opinion, the point of super is not to give people the same "fixed" period of retirement they got in the 1980s. It is, rather, to provide a retirement that is as long, as

comfortable, and as secure as we, with our increasing national affluence, can afford.

There are, of course, other demands on the state's budget, health spending chief among them. One could then ask: even putting aside the confected panic about the public finances, is it still wise to spend billions of dollars more on pensions, especially when some recipients are earning mega-bucks? Couldn't we somehow free up cash for other purposes?

First off: if one did want to limit super's cost, raising the retirement age would be absolutely the worst way to do it. That discriminates deeply against manual labourers and others with broken-down bodies, just hanging on till they hit 65, not to mention Māori, Pasifika, and other workers with shortened lifespans. No-one has ever developed a convincing scheme for early super access on medical grounds.

A fractionally more sensible approach to cutting super's cost would be to means-test it. Economist Susan St John has a conceptually elegant solution: over-65s who are still working would face a significantly higher tax rate on their labour income unless they give up their super. The problem with this, other retirement experts think, is that politically it boils down too much the same thing as the "surcharge" levied in the 1980s and 90s, a policy so detested that it contaminated the whole idea of means-testing.

A means tests only on wage income, moreover, would not capture retirees enjoying large capital gains or huge wealth holdings. But it would encourage assiduous tax avoidance, the artificial rearrangement of people's financial affairs, and the deployment of armies of accountants.

The loophole could, theoretically, be closed by testing people's assets as well as incomes. To which one can only say: good luck dealing with the radioactive political fallout from that. And the loophole, ironically, points us towards a better answer. If

we had comprehensive taxes on capital gains or wealth, much of which would be paid by the elderly, the richest over-65s would effectively cancel out the cost of their super payments.

Super could then remain universal, a payment more likely to protect the poor because even the rich would fight to preserve it. There would be no expensive state apparatus to administer means-testing, no gaming the system, no troublesome edge cases.

Neither a capital gains nor a wealth tax, of course, is politically perfect. But still, they might be the most logical solution to the super conundrum.

DAVID PARKER, LABOUR MP. RETIRED FROM POLITICS 2025.

Parker remains confident the country is getting "inexorably closer" to some form of wealth or capital tax.

Changing the tax system would do two things, he says: it would encourage people to invest for profit and economic growth rather than tax advantage, and create a fairer society where the wealthy did not pay a lower rate of tax than their fellow, less well-off New Zealanders.

Rather than choosing between a capital gains tax or a wealth tax, he favours a combination of both, with credit for one against the other to avoid double-taxation.

*Parker credits Thomas Piketty, the author of *Capital in the Twenty-First Century*, for busting open the global debate, and notes he gave Piketty's ideas "a good airing" in New Zealand and with government officials.*

"I think the debate has moved on from a narrow debate to a broader one, and maybe it is maturing. I like to think I have had a hand in that."

In his 2002 maiden speech, Parker also placed an emphasis on "the equitable sharing of wealth in our community".

SAM STUBBS

OPINION: Cyclone Gabrielle is another stark reminder of just how short New Zealand is of critical infrastructure.

The Infrastructure Commission calculates that 8.9% of GDP is required to be invested in infrastructure each year, for the next 30 years. That is \$33 billion a year, before inflation. Our current spend is well below that.

But there is a silver lining.

Fortunately, at the same time as we need huge amounts spent on infrastructure, the pool of long-term KiwiSaver savings is growing rapidly. Already over \$86b, the Treasury predicts KiwiSaver could grow to \$200b by 2030 and \$400b by 2050. Yet over 60% of KiwiSaver savings is now invested overseas, with the amount going offshore growing daily. Why? Because of a lack of local investment opportunities.

So why is there so much money around, yet so little invested in our infrastructure? Politics plays a big part. Left-leaning governments are typically opposed to any private capital – including KiwiSaver funds – owning public infrastructure. It is pitched to the public as "selling the family silver."



Cyclone Gabrielle is another stark reminder of just how short New Zealand is of critical infrastructure.

And due to our small capital markets, there are few ways to invest in non-government infrastructure, aside from owning shares in the power companies, Infratil and (perhaps) Fletcher Building. Nothing of any size has been listed for a decade.

So how do we fix this and get serious local money into building the infrastructure we clearly need?

To my mind, we need a very large, listed Kiwi Infrastructure Fund. And it should be structured and governed like our existing listed state-owned enterprises (SOE). It is a model that works.

The SOE model has been blessed by all major parties. Labour kickstarted a new wave of minority listings with the sale of a stake of the post office. And while no SOE has been listed under this Labour Government, it has not reversed the status quo either.

National is clearly a fan, having listed the electricity companies, and local fund managers know the advantage of the SOE model, as they already own plenty of shares in all the listed

power companies and Air New Zealand – all of which are majority government owned.

Air New Zealand is majority government owned, as are the listed power companies

With a Kiwi Infrastructure Fund majority owned by the government, KiwiSaver managers, ACC, NZ Super Fund, and iwi would happily own minority stakes, and in turn help fund the infrastructure we need.

Majority government ownership would make it politically acceptable, scalable, and give others an enduring reason to invest for the long term.

And let us not forget that listed SOEs have paid their government majority owner large dividends too.

How would this work in practice?

Using the existing SOE model, infrastructure assets the government already owns could be sold or gifted to the fund.

The government would always keep a majority stake, and therefore always have control of the fund and its assets. Having raised the money, the government could then either reinvest in the fund (so it can build further infrastructure) or fund anything else it wanted to.

The ACC and NZ Super Fund were offered a stake in Kiwi bank without anyone else getting a look in. Photo: Chris McKeen / Stuff

And the fund may choose to fund projects independent of central or local government.

The other attraction would be scale. The fund could take on large projects costing billions, which would offer consistent,

long-term returns that rewarded the size of investment, the diversity of projects funded and the risks taken.

And the structure and governance of the fund would be on an arm's length basis. Good governance is the key to long-term success of any enterprise, and this would be no exception.

And there would be proper investment discipline. It would be project agnostic and focused on long-term economic returns for its shareholders, including KiwiSaver's.

Another key advantage is the ability of the fund to borrow to invest. Banks would be amenable to funding a large-scale, listed, government-backed fund, borrowing large amounts over the long term. And none of that debt would be on the governments or council's books.

And because the fund was listed, it would be much more attractive to large investors, who would be allowed to own more shares because they could sell them on the stock exchange.

The fund could, quite quickly, be the largest listed entity in New Zealand. And with KiwiSaver's, iwi, and others "investing in the hood," it is very likely to be good for our economic growth too.

Economists estimate that the economic impact of a dollar of local money invested is double that of a dollar from offshore. Why? Because locals invest for the long term.

And they could be great investments too. Who would not want to own a part of the drains, power and sewer lines, water pipes, and roads we use?

Infrastructure such as power lines took a real hit in the recent severe weather. Photo: Supplied / Stuff

For a listed infrastructure fund to be palatable to the public, it must be a 100% Kiwi solution. No foreigners should get access

to the fund, or own or profit from our key national infrastructure.

In the past there simply was not the collective savings to contemplate a 100% Kiwi solution. But now we can, because KiwiSaver, iwi, the ACC, and NZ Super Fund already have over \$220b of investment horsepower – and it is rising all the time.

We can now fund our own infrastructure solutions.

The existence of the fund would also encourage large foreign contractors to establish a deeper and more permanent presence in New Zealand. This would help foster competition in construction and ensure on-time, on-budget delivery.

Given the carnage of Cyclone Gabrielle, I suspect most Kiwis would agree that had their KiwiSaver been invested in drains and stop banks, it would have been a wise investment.

So, it is time to take what is already working, the SOE model, and make it work to provide the infrastructure we all need. It is local money, funding local.

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