# Newsletter 40: *2025 Kiwi saver |Annuity /Superannuation| Protection Association of NZ.*


**Issue 40 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 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 are no longer an Incorporated Society, but we do seek supporters, a simple e-mail to alwaugh@xtra.co.nz, of your Kaspanz support welcomed

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If you find the newsletter interesting, forward it on to friends, politicians, bankers and economists.

## EDITORIAL

February 2026, Economic Trolls, and Men and women in suits, many hiding their right-wing views, met at Waikato University for the annual Economic Forum. Strong opening paragraph, for sure, but do not kid yourself that many of those attending, are aware of , or are reflecting the research, or have great Public Policy knowledge, they need to be called out, for peddling their own

products, or camouflaging their ignorance.

*Figure 1Tracy Watkins Sunday Star Times*

Economist have their place, and editors too, but sermon from the Mount mouthing's, or in this instance retirement income policy e.g. NZ Superannuation needs to be called out for shallowness, protecting their own product, and at times simply crass talk not based on the evidence or comprehensive reform knowledge.

Frequently its crisis rhetoric, seldom alternatives, they never mention unintended consequences or increased costs arising from their suggestions, in the case of NZ Super, single lever suggestions of raise the age of entitlement , and means testing individual income (never assets) always to the fore. Some also wish to copy the complex and poor Australian model of retirement income, do these people read ! Note Tracy Martin from Aged Care, cautioned against some of the comment!

This is the Radio NZ release from the conference above

## *Retirement age will rise to cover superannuation cost, investment company predicts

An investment company predicts New Zealanders will have to work into their 70s if the country wants to afford superannuation debate has been held at the New Zealand Economic Forum at Waikato University.

Milford Investments CEO Blair Turnbull said 40 percent of retirees rely entirely on income from super because they have no savings.

He believes it is inevitable the age for super will rise and be means tested.

He said Treasury is very clear, saying that unless the retirement age rises to 72 or 73, New Zealand cannot afford to pay superannuation.

"By 2030, we'll have over one million people over the age of 65 and we want New Zealanders to retire with dignity and in a lifestyle they deserve.

"That is just going to compound. Why? Looking back, in the 1970s you had seven workers for every person over the age of 65. Today that is about four workers for every person over the age of 65 and by 2060 it will be two workers for every person over the age of 65.

"The truth is we cannot afford the superannuation system, because we don't have the workers and we don't have the productivity - and just to bring the productivity point to life - in terms of the 37 OECD countries, we are 27th in the rankings in terms of productivity.

"And here's the killer stat that follows that, in terms of our savings, we're 33rd, so if we have lower productivity and lower wages, that, unfortunately, really hurts our ability to save because we literally don't have the money to save for the future, even though we know we need to save.

"Fifty percent of people today are just surviving pay cheque to pay cheque and the news isn't any better for retired people because 40 percent of them arrive at 65 and they have little to no private savings and they're fully reliant on income from New Zealand super, which we simply can't afford."

Former cabinet minister David Parker told the conference that we must match Australia on their better superannuation savings rate.

"I'm in favour of following Australia into compulsory KiwiSaver and there should be a tax incentive."

Former MP and CEO of the Aged Care Association Tracey Martin said a much broader conversation is needed than whether the age of superannuation **should be raised.**

Sharon Zollner, the ANZ chief economist, told the conference the health care costs for older people are also a consideration. She said the health needs of people over 85 cost five times more than those aged 65.

**EDITOR COMMENT**

- Adding her voice, also at the above Forum was Tracy Watkins, a regular tirade on NZ Super costs, in my view poorly researched and not well thought out. I wrote this letter to the Sunday Star Times after her latest outburst, <u>It was not published.</u>

  *Tracy Watkins editorial "Groundhog Day on the cost of Superannuation" is misleading, negative, and unhelpful. Full of perceptions and rants along with little research awareness. NZ Superannuation policy is world leading, sensible, cost effective and simple. Watkins never mentions alternatives, nor the findings from the <u>New Zealand Society of Actuaries (NZSA)</u>, or the Retirement Commission all contrary to her view. She avoids comment on the unintended consequences likely to arise from significant change to NZ Superannuation, or the known increase in costs arising from an increase in the age of eligibility, e.g. unemployment benefits, accommodation and hardship allowance, increased admin, let alone the negative impact on women and Māori. She is silent with her views on new revenue paths, to increase Government revenue e.g. Capital gains, land or wealth tax, inheritance tax or an increase in GST .Tracy Watkins has re-invented in 2026, the headline of 30 years ago*

*(1996) by Len Bayliss Economist, who took NZ journalists/financial commentators to task for their crisis rhetoric re NZ Super and its sustainability contrary to the evidence and best practice. I suggest the Retirement Commission needs to be leading the national discussion, "on retirement income "and not party politicians, self-interest bank/business managers, or newspaper editors.*

## IT IS TIME FOR ECONOMISTS TO STOP TRYING TO BE ACCOUNTANTS Susan **Oct 01, 2025**

I am continuing here some reflections on the latest Long-Term Fiscal Statement (LTFS) from Treasury building on what I wrote for the Daily Blog: Treasury might have included ' frightening older people to death' as a handy outcome of their dreamed-up alternatives.

In the face of the reality of the ageing population and the increased physical resources they will require, Treasury designed draconian options aimed to keep the expenditure on the pension as a fixed percentage of GDP.

Here is what their LTFS report says about reforming New Zealand Superannuation (NZS) and savings:

· *"The Treasury's modelling suggests the cost of NZS could be kept stable as a percentage of GDP by increasing payment rates in line with inflation rather than wages.*

· *Achieving the same by steadily increasing the age of eligibility would require it to rise to 72 by 2065.*

· *Means testing would need to kick in at relatively low levels of non-NZS income to generate similar levels of savings.*

*Reforms to NZS could be supplemented by strengthening savings. Governments could increase revenue or reduce expenditure to contribute to the New Zealand Superannuation Fund (NZSF). Options to increase private savings into KiwiSaver could also be explored."*

Economics is supposed to be a discipline that works to ensure the best use of society's scarce resources to meet human needs; instead, our brightest minds are more obsessed with meeting fixed accounting ratios, no matter how dodgy or ill justified. Economics is also concerned with distribution or who gets what, while making sure that for a given income distribution, all production is economically efficient in the sense of meeting people's needs at least real resource cost.

If Treasury were to think like economists, they would be expressing alarm over the growing polarisation and gulf between the rich and the poor. They would be modelling LTFS projections of inequality and poverty if we continued the same policies. Imagine what that would look like in 40 years' time!

Ganesh Ahiroa, Wealth divide makes way for chasm, highlights who holds today's wealth and discusses how 'Inverted trickle down becomes a torrent, as opportunities and hopes wash away'. He says:

*"I know it is a cliche to talk about the rich getting richer, while the poor get poorer. But, what I do not know is when (or how) we - as a nation - have seemingly become so immune to this utter failure of our economy and the consequent dereliction of our duty to our people and communities."*

What if the starting point of the LTFS was to ensure that all New Zealanders were able to enjoy a life that allowed them to participate and belong? Or if that sounds too airy fairy, too last century, that each person, old or young had access to sufficient resources.

Instead of concentrating on a nebulous concept of future 'intergenerational equity.' We would make sure there is a fair sharing of resources at a point in time and stop worrying about imaginary babies born in 2065 or 40 years hence. I seem to remember some wise biblical words: 'Sufficient unto the day is the evil thereof.'

The reality is that as older people become an increasing share of the population, we will spend relatively more on them over time. Taking a real resource viewpoint, to ensure that all New Zealanders can have an adequate standard of living, we need to be sure our economy is strong by investing in the young, and our policies like NZS are carefully designed to avoid overconsumption by the rich, or subsidisation of inheritances that widen the wealth gap.

My suggestion is we immediately redistribute the welfare budget more fairly and more sensibly along the lines set out Newsroom,5th August, Take $3billion off the top end of super and redistribute within the welfare budget to reduce poverty and make it fairer. But to tackle all the other problems we need a wealth-based tax.

We then need to talk about progressive actions to stop economy haemorrhaging and to rebuild personal balance sheets , Daily Blog22nd September 2025. The student loan scheme is good place to start. As Ganesh observes:

*"But, as the least-wealthy sought further education over the years to 2024, in a perversity that I can only describe as incredulously cruel, a noticeable component of the loss of wealth of the least-wealthy was a disproportionate increase in student debt."*

The fourth bullet point option from the LTFS above also deserves the economist's lens rather than lazy acceptance of accountants' thinking.

· *"Reforms to NZS could be supplemented by strengthening savings. Governments could increase revenue or reduce expenditure to contribute to the New Zealand Superannuation Fund (NZSF). Options to increase private savings into KiwiSaver could also be explored"*

101 economics would say that increased saving right now runs the risk of deepening recession or delaying recovery. Even if more saving is generated there is no guarantee there will be more investment, especially if left to the private sector, furthermore there is no guarantee of any new investment will be appropriate to help us better prepare for the ageing population needs. For example, in our distorted economy that Bernard Hickey describes as 'a housing market with bits tacked on', high end housing looks an attractive tax advantaged way to invest for growing personal wealth.

Make no mistake, the point of increasing saving in KiwiSaver is to reduce the cost of NZS—presumably by means testing. Again, from the LTFS:

*"The Treasury has modelled an OLG scenario to approximate a move towards a more private savings-based approach to funding pensions. The scenario steadily reduces NZS rates to half of current levels, which simultaneously reduces fiscal costs and prompts greater savings by households. This is very similar to CPI indexation, but with the rate of NZS declining more rapidly. … most individuals born after 1960 are disadvantaged; having paid for previous generations' superannuation, they now need to save more for their own retirement and have limited time to do so. .. The burden on a 'twice-paying' generation could be managed though a slow and steady transition, perhaps with gradual phasing out of the existing system"*

Even though there is a paragraph to acknowledge that many groups would struggle to save enough for a pension based on compulsory savings over a full-time working career, they dismiss this issue by a vague statement " A compulsory saving system might need to be supplemented with additional support for some people."

In support of the idea that increased saving may be another option. The LTFS says

*"There could be wider benefits from moving to a compulsory savings approach. Given savings are linked to the saver, a compulsory savings scheme would have lower work disincentives than taxation"*

But hold on a minute, these savings will cause an eventual reduction or even zero entitlement to NZS, that is some disincentive surely. They looked at 3 propositions

*"There are many ways such a savings scheme could be introduced in New Zealand, with different roles for private and public savings systems. One example was developed by the Financial Services Council (2012), another sketched by Cullen (2013), and a more recent example MacCulloch (2019)."*

So, the current generation would pay twice to get less. And somehow the next generation will be happier because it has paid for itself, or at least some of them might have. To see the kind of thinking Treasury is basing its option on, take a read of MacCulloch, R. (2019). Mandatory savings: The saviour of New Zealand's welfare state, Policy Quarterly, 15(1), 23-29. Savings.

**THE COALITION GOVERNMENT IN NEW ZEALAND** has introduced significant changes to KiwiSaver through the 2025 Budget, with the National Party further promising to boost contributions to 12% by 2032 to match Australian levels.

Here is a breakdown of the current and proposed suggestions regarding KiwiSaver:

National Party Proposals (2026 Election Campaign)

- Gradual Increase to 12%: National has pledged to continue lifting the default KiwiSaver contribution rate, aiming for a total of 12% (6% from employers and 6% from employees) by 2032.
- Phased Implementation: The increases would rise by 0.5% per year from 1 April 2029 until reaching the 12% total in 2032.
- Goal: To increase individual retirement balances (potentially by $400,000 for a 21-year-old earning $65k) and grow the capital pool for investing in New Zealand infrastructure and businesses.

Changes Introduced in Budget 2025 (Currently Underway)

- Increased Default Rates: The default contribution rate is rising from 3% to 4% in stages: 3.5% from 1 April 2026, and 4% from 1 April 2028.
- Reduced Government Contribution: The Government has halved its annual contribution (Member Tax Credit) from 50c for every $1 contributed to 25c, with a new maximum of $260.72 per year (previously $521).
- High-Earner Cut: The government contribution is removed entirely for those earning over $180,000 per year.
- Younger Inclusion: From 1 July 2025, 16- and 17-year-olds are eligible for the Government contribution, and from 1 April 2026, employers must match contributions for this age group

# THE NZ SOCIETY OF ACTUARIES STUDY INTO RETIREMENT INCOME AND LEVEL OF KIWI SAVINGS said

**Summary**

This Retirement Income Interest Group (RIIG) report considers how much saving is needed for retirement in New Zealand.

We propose that there should be a single framework for consistent discussion of retirement income adequacy. We investigate what level of KiwiSaver contributions are likely to be adequate and resilient to changes as people save over a working life, while recognising the variability in individual needs, preferences, and constraints.

We use an adequacy framework based on replacement rates • We use a method of assessing adequacy based on replacement rate, defined as net income immediately after retirement divided by net income immediately before retirement.

Net income is after income tax and KiwiSaver contribution. The replacement rate approach to adequacy is consistent with the legislative purpose of KiwiSaver.

• We assess retirement income as adequate if it implies a replacement rate of 80%-100% after tax with income lasting to at least age 90. This is derived for New Zealand conditions but reflects international research.

We suggest that targets for retirement income adequacy are shown on individual statements of projected KiwiSaver outcomes, expressed as: » target contribution rates at younger ages (am I saving the right amount?), and, » target balances in dollars at older ages (how much more do I need?).

We suggest a 5% matched default contribution rate Savings deficits caused by gaps in contributions; first home withdrawal or early retirement are significant but are likely to occur in many people’s lives. Policy changes leading to higher savings requirements are possible. There is inherent uncertainty of future

investment returns. Additional contributions or working longer may make up deficits but cannot be relied on to achieve adequacy.

On balance, RIIG suggests that the default level of KiwiSaver contributions should be set so the median earner is likely to achieve our definition of adequacy with a modest buffer against adverse changes in the savings phase. Some flex from the hypothetical full savings career should be allowed for but should not be so large that it causes over-saving.

Our modelling suggests a matched 5% contribution would be a suitable default KiwiSaver contribution rate to meet this objective. We further observe that: • The highest-income 10% of earners may find a higher contribution rate higher than 5% more suitable for their personal targets. They are likely to be able to make additional voluntary contributions and seek personal advice. Default contribution rates should not be set by the preferences of this group. • Earlier rather than later is better for retirement income, for starting to save or taking withdrawals. • NZ Super is a significant part of retirement income adequacy even for higher earners with large drawdown potential from their KiwiSaver. Calls for policy reform should recognise the implications of reducing NZ Super across the population and over time

**AN AUSTRALIAN  VIEW OF THEIR SCHEME :WESTERN AUSTRALIA: MAKE OUR AUSSIE PENSION AGE ONLY**

*I believe the time has come for all Australians aged 65 and over the receive the age pension. It is difficult to justify a system where taxpayers spend their working lives contributing to govt revenue, only to find once they reach pension age, their entitlement depends on passing complex income and asset tests. In effect, the taxes they have paid, help fund pensions for some ,while others of the same age receive little or nothing. An age pension by its very name, should relate to age, not to income or assets. Provided residency requirements are met, it should be paid universally to those aged 65 and over. Under such a system people should be free to earn additional income without penalty. That income together with the pension, would simply be taxed under normal tax rules. This would remove much of the current, confusion and inequity surrounding Australian pension eligibility. A universal age pension could also* *significantly reduce the admin burden carried by the current system, and see a decline in the staffing required to police income and assets tests, along with the costly and frustrating bureaucracy that pensions are forced to navigate. Despite searching online, I was unable to find a clear figure on how many staff are required to administer the Australian pension. A universal age pension combined with sensible taxation, would be fairer, simpler and more transport. Most importantly, it would treat Australians equally.*

***Ewin Armstrong, Mt Hawthorn.***

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