



KIWISAVER PRIORITIES

**ENSURING NEW ZEALANDERS
HAVE A DIGNIFIED RETIREMENT**



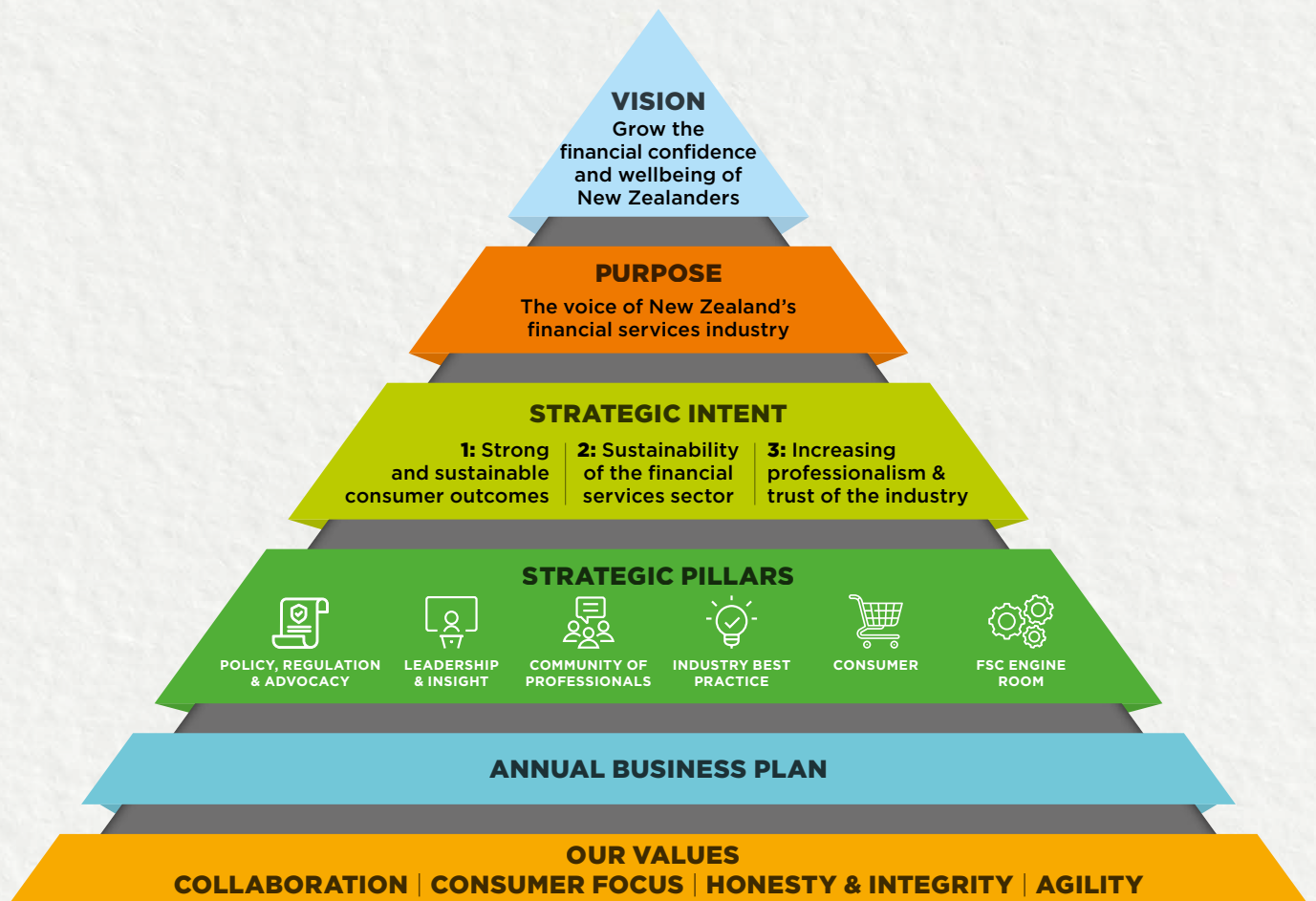
FSC. VISION

**GROW THE FINANCIAL
CONFIDENCE AND
WELLBEING OF
NEW ZEALANDERS**

FSC.

ABOUT THE FSC

The FSC is a non-profit member organisation with a vision to grow New Zealanders' financial confidence and wellbeing. FSC members commit to delivering strong consumer outcomes from a professional and sustainable financial services sector. Our members manage funds for KiwiSaver and retirement of \$85b, annual life premiums of \$3b, and annual health insurance premiums of \$1.85b.



FSC BLUEPRINT FOR GROWTH

GROW THE FINANCIAL CONFIDENCE AND WELLBEING OF NEW ZEALANDERS

The FSC's 110+ members offer products and services that support New Zealanders through their lives, both in the good times and bad. Our members help New Zealanders protect their loved ones, save for retirement and live fuller, healthier lives. The financial services sector has an excellent record of working with the Government and stakeholders to support New Zealanders in their financial wellbeing.

New Zealanders are facing unprecedented levels of risk and are not adequately protected. Whether it is insurance for which New Zealanders are significantly underinsured, with one of the lowest levels of insurance in OECD countries or an ageing population who doesn't have enough funds for a rainy day or retirement, we have a responsibility to address these gaps with effective regulation and policy.

In 2023, the FSC released the Blueprint for Growth, outlining the FSCs policy aspirations to improve the financial confidence and wellbeing of New Zealanders.

This document sets out the FSC's high-level priorities that we believe will help New Zealanders be better prepared for retirement, specifically through improvements to KiwiSaver.

THE BLUEPRINT FOR GROWTH FOCUSES ON FOUR KEY ISSUES:

1

NEW ZEALANDERS AREN'T FINANCIALLY LITERATE

OUR ASPIRATION

Kiwis better manage their finances and seek advice

2

NEW ZEALANDERS TAKE TOO MUCH RISK

OUR ASPIRATION

Kiwis better manage and understand their risk

3

NEW ZEALANDERS AREN'T PREPARED FOR RETIREMENT

OUR ASPIRATION

Kiwis have a dignified retirement

4

NEW ZEALANDERS WORRY ABOUT HEALTHCARE ACCESSIBILITY AND AFFORDABILITY

OUR ASPIRATION

Kiwis have accessible and affordable healthcare

KiwiSaver Policy Priorities

KIWISAVER MUST BE IMPROVED TO ENSURE MORE NEW ZEALANDERS ARE BETTER PREPARED FOR RETIREMENT

THE FSC'S ASPIRATION

Kiwis have a dignified retirement

Most New Zealanders will fund their retirement through NZ Superannuation, KiwiSaver and private savings. NZ Superannuation allows people to plan over a long period of time and aims to protect the older generation from poverty. KiwiSaver is a voluntary scheme set up by the government to help New Zealanders save for retirement. Unfortunately, for many New Zealanders, the current level of KiwiSaver contribution means they won't have sufficient funds for a dignified retirement.

It's important that New Zealanders have the appropriate level of retirement savings to ensure quality of life, choice and an adequate standard of living. For most New Zealanders, this will be through their KiwiSaver fund.

In addition to the role of KiwiSaver in every New Zealander's life, it also has a role in New Zealand's economy. Considering that over half of New Zealanders will be over 65 by 2070 (Stats NZ), KiwiSaver, with its increasing scale, will have a rapidly growing economic role. It is estimated that KiwiSaver will be worth \$911B by 2050 (FSC, KiwiSaver 2050).

In the last 15 years, KiwiSaver has grown to more than three million members with funds under management of over \$107B (December 2023, Reserve Bank of New Zealand).

From its inception, KiwiSaver was seen as making retirement easy through its comparatively simple scheme design. However, there is scope to improve to ensure New Zealanders have adequate savings for retirement. Vitally important is the need for the government to develop a KiwiSaver champion who has a long-term view for the scheme and its performance.

There are opportunities for policy updates that are simple, aspirational and universal and will have a positive impact on increasing New Zealanders financial security when they retire. The FSC advocates for policies and initiatives that support New Zealanders to have a dignified retirement by increasing the number participating in KiwiSaver, increasing the amount of contributions, supporting government leadership to champion KiwiSaver reform, and programmes that increase financial capability.

The FSC is seeking to put fact-based information in front of the Government to drive change. We acknowledge the work already underway by others in this space, and will be working across the sector to build compelling reasons for change.

Having financial security in retirement is critical for New Zealanders, for without it, there is a poorer quality of life and a lack of choices from where to live to accessing health care.

ENSURING NEW ZEALANDERS HAVE A DIGNIFIED RETIREMENT



PARTICIPATION

POLICY INTENT: EVERY NEW ZEALANDER SHOULD HAVE THE OPPORTUNITY TO PARTICIPATE IN KIWISAVER

POLICY PRIORITIES THE FSC ARE INVESTIGATING:

Review the appropriateness of 'total remuneration packages' as they relate to KiwiSaver contributions.

Removing age restrictions which do not require employee (and employer) contributions for employees under 18 or over 65. The same rules should apply to all, regardless of age.

Develop educational and media campaigns to reassert the benefits of participation and the primary retirement focus of KiwiSaver and the longer-term effect of early withdrawals on retirement savings.

GOAL:

Increase the number of New Zealanders participating in retirement savings.

CONTRIBUTION

POLICY INTENT: EVERY NEW ZEALANDER DESERVES DIGNITY IN RETIREMENT

POLICY PRIORITIES THE FSC ARE INVESTIGATING:

Adjusting the source of contributions through a mix of employee vs employer.

Incentives for employers and employees, most likely in the form of tax incentives.

Investigate non-linked annual Government contributions to agreed member groups (e.g. lower income, socially disadvantaged, parental leave/carer leave).

In addition, investigate bolder solutions to close the widening gender gap in average KiwiSaver balances. This may build on current proposals around parental contributions, which still require employee contributions and may require enhancement.

GOAL:

Increase contributions to KiwiSaver and retirement investment schemes, through increases in small increments of an agreed amount on an annual or bi-annual basis to at least 10%.

FINANCIAL CAPABILITY

**INTENT: HELP NEW ZEALANDERS MAKE WISE
AND CONFIDENT DECISIONS INCLUDING DURING
FINANCIAL HARDSHIP**

INITIATIVES THE FSC ARE INVESTIGATING:

Partnering with stakeholders to increase financial literacy through school education is an important step to increase financial capability and build essential skills for young New Zealander's future.

GOAL:

**Raise the financial
capability of New
Zealanders.**

GOVERNMENT LEADERSHIP

INTENT: GOVERNMENT LEADERSHIP TO DRIVE CHANGE

FSC CALLS FOR GOVERNMENT ACTION:

The FSC calls for a full, structured review of KiwiSaver to ensure that KiwiSaver will be fit for purpose for future generations. The review must involve all main political parties and be bi-partisan. The review should happen as soon as possible and will need to consider KiwiSaver settings for 2050 and beyond.

The Government legislates the objective of KiwiSaver and retirement investment schemes to preserve savings to deliver income for a dignified retirement, alongside government support, in an equitable and sustainable way, requiring policymakers to assess future changes to legislation to be compatible with this objective.

The Government develops a 'KiwiSaver champion' who has long-term responsibility across multiple election cycles for the scheme and its performance.

GOAL:

A robust KiwiSaver system that enables a dignified retirement for all New Zealanders

Financial Services Council NZ



Grow the financial
confidence and wellbeing
of New Zealanders

The Financial Services Council of New Zealand's reports and publications are available on our website.

© The Financial Services Council of New Zealand Incorporated.

All rights reserved.

This publication is subject to copyright with all rights reserved.


Reproduction in part is permitted if the source reference "The Financial Services Council of New Zealand" is indicated.

Courtesy copies are appreciated.

Reproduction, distribution, transmission or sale of this publication as a whole is prohibited without the prior authorisation of The Financial Services Council of New Zealand.

The information provided is for information purposes only and in no event shall the Financial Services Council of New Zealand be liable for any loss or damage arising from the use of this information.

fsc.org.nz

 Financial Services Council

 @FSC__NZ

 @FSC__NZ

 Financial Services Council New Zealand

JUNE 2024