AROTAKENGA O NGĀ KAUPAPAHERE WHIWHINGA MONI AHUNGARUA

REVIEW OF RETIREMENT INCOME POLICIES

TE ARA AHUNGA ORA
Retirement Commission

Te Kāwanatanga o Aotearoa
New Zealand Government

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RETIREMENT COMMISSIONER'S INTRODUCTION

Ka titiro arowhānui a Te Ara Ahunga Ora ia toru tau ki ngā kaupapahere whiwhinga moni ahungarua o Aotearoa, kia mōhio pai tātou ki te āhua o te ahungarua, i tēnei rā, hei āpōpō hoki.

He herenga te arotake aroturuki nei i raro i te New Zealand Superannuation and Retirement Income Act 2001, otirā nā te kāwanatanga i whakatau ngā tikanga mahi e whakatau ana i ngā aronga matua o te rangahau me te tātaritanga. Mō te Arotake o ngā Kaupapahere Whiwhinga Moni 2022 (RRIP) i tonoa mātou ki te ruku ki ngā āhuatanga o te Pūtea Penihana Kāwanatanga (NZ Super), te rapu whare, ngā penapena tūmataiti, tae atu ki te tiro ki te whakahoro pūtea me te KiwiSaver.

Kua whakamātauria hoki e mātou te pānga o ngā kaupapahere o nāianei ki ngā putanga penapena ahungarua me ngā wheako o te Māori, ngā Iwi o Te Moana-nui-a-Kiwa me te wahine. Mō te nuinga o ēnei rōpū, tae atu ai rātou ki te tau penihana, he pōhara ake i ētahi atu rōpū, otirā he mea hira tonu kia mōhio i ngā take i pēnā ai.

Koinei te arotake nui tuatahi o taku noho hei Kaikōmihana Ahungarua engari ko te pūrongo tuaono mai i te whiwhi haepapa mō ngā arotake ia toru tau i te 2005. I tono mātou ki ngā pūkenga me ngā kairangahau tohunga o te motu, me ā mātou mātanga ake, ki te whakaoti i tēnei mahi nui whakaharahara.

E whai ake nei he whakarāpopototanga o ētahi rangahau me ngā tātaritanga 16 i oti mō te RRIP 2022 me ētahi huinga tūtohu ā-taunaki nei hei whakatinanatanga mā te Kāwanatanga, te rāngai tūmataiti, ngā kairangahau, ngā kaitukumahi, me mātou hoki.

Every three years Te Ara Ahunga Ora Retirement Commission takes a comprehensive look at New Zealand's retirement income policies to gain greater insights into what retirement looks like for Kiwis, now and in the future.

This monitoring review is a requirement under the New Zealand Superannuation and Retirement Income Act 2001 with terms of reference set by government determining the focus areas of the research and analysis.

For the 2022 Review of Retirement Income Policies (RRIP) we were asked to delve into aspects of New Zealand Superannuation (NZ Super), housing, and private savings, including a look at decumulation and KiwiSaver.

We have also tested the impact current policies have on the retirement savings outcomes and experiences of Māori, of Pacific Peoples, and women. In general, these three groups tend to arrive at pension age less economically well-off and it's important that the reasons why are clearly understood.

This is the first full review that has taken place in my time as Retirement Commissioner but is the sixth report since we were given responsibility for three-yearly reviews in 2005. We have called on some of the country's leading academics and researchers, along with our own internal experts, to complete this important piece of work.

What follows is a summary of 16 pieces of research and analysis completed for the 2022 RRIP and a set of evidence-based recommendations for the Government, private sector, researchers, employers, and our own organisation to action.

I auau te whiriwhiri kōrero me ngā āpiha matua me ngā kaiwhaipānga, ngā kaipāpāho me te iwi whānui ki te whakawhiti whakaaro me ngā raraunga. Nā ngā rangahau i kohia e mātou i āhei ai mātou ki te kōrerorero auau mō ngā take whiwhinga moni ahungarua matua, te whakatakoto i te tūāpapa hoki mō te tōpūtanga o ngā tūtohu a tēnei pūrongo.

Ko te whānuitanga ake, he miramira i te āputa ahungarua ā-ira - te hura mō te wā tuatahi tētahi wāwāhitanga nui rawa o ngā tapeke KiwiSaver, i runga anō i te pakeke me te ira - tae atu ki te whai whakaarotanga o te pānga o ngā utu whare, momo whare hoki i runga i te ahungarua, ina koa mō te hunga e whirinaki ana ki te Pūtea Penihana hei moni whiwhi. Kua whakaputaina hoki e mātou he tātaritanga ā-hangapori, ā-nahanaha, ā-kounga, ā-tatau o te āhua o te ahungarua mō te Māori, ngā Iwi o Te Moana-nui-a-Kiwa me ngā wāhine, ā, me te āhua whakapau a te tangata i ngā pūtea penapena i te wā o te ahungarua.

TE KAHA O TE PŪTEA PENIHANA

I kitea tētahi kaupapa e hua mai ana, otirā e miramira ana i te waiwai o te Pūtea Penihana ki te nuinga o te hunga o Aotearoa. I ēnei rā, 40% o te hunga pakeke ake i te 65, kāore he whiwhinga moni i tua atu, otirā he 20% he paku nui ake i tērā. Ahakoa te Penihana, 1 o ia 3 tāngata e whakapono ana e kore pea e nui ā rātou pūtea mō te ahungarua, ki te kore rātou e mahi tonu ki tua o te 65 tau te pakeke.

Ko te wāhanga nui rawa o te Pūtea Penihana, he kaupapahere tūwhena, pūmau hoki e āhei ai te tangata ki te whakamahere hei te roanga o te wā. He waiwai tonu te pupuri i te pono me te manawanui ki te pūnaha, ā, he karere pūmau mai i tēnei tari ki ia kāwanatanga.

I tēnei wā, he pūnaha mana ōrite nei te Pūtea Penihana, ā, he ngāwari noa te whakahaere. He mārakerake ki ahau me noho ōrite tonu te pakeke māraurau e āhei ai koe ki te Pūtea Penihana, me whai whakaaro rānei ki tētahi pūnaha manganga hei whakaiti i te tūpono tautika-kore o taua panonitanga. Ki te hikina te pakeke o te mārauratanga, ka tino hē kē atu mā te wahine, te Māori me ngā Iwi o Te Moana-nui-a-Kiwa.

E tautoko ana au i te mahi a te Kāwanatanga ki te tuku tāpae ki te Tahua Pūtea Penihana kia pai ai te utu i tētahi wāhanga o te Pūtea Penihana anamata.

There has been regular engagement with key officials and stakeholders, along with media, and the wider public to share insights and data as it has come to hand. The research we have gathered along the way has provided us with an opportunity to ensure we have kept a regular discourse on key retirement income issues, laying the foundations for the culmination of recommendations in this report.

This has ranged from highlighting the gender retirement gap - revealing for the first time the largest breakdown of KiwiSaver balances across age and gender - to considering the impact of housing costs and types on retirement, particularly for those reliant on NZ Superannuation as their only income. We have also released a demographic, systematic, qualitative, and quantitative analysis of what retirement looks like for Māori, Pacific Peoples, and women, and how people spend their savings in retirement.

NZ SUPER POWER

A common theme has occurred throughout, emphasising how critical NZ Super is to the majority of New Zealanders. Nowadays, 40% of people aged 65 and over have virtually no other income besides NZ Super and another 20% have only a little more. Even with NZ Super, close to 1 in 3 people don't think they will have enough for retirement unless they continue working past 65.

The most important aspect to NZ Super is that it is part of stable and consistent policy that allows people to plan over a long period of time. Maintaining trust and confidence in the system is vital and is a consistent message from this office to each government.

Currently NZ Super is a largely equitable system that is relatively simple to administer. It is clear to me that the age of eligibility to access NZ Super must remain the same, or a more complicated system be considered to reduce the inevitable inequity such a change would bring. Any increase to the age of eligibility will only further disadvantage women, Māori, and Pacific People.

I support the Government making ongoing contributions to the NZ Super Fund in order to partially fund future NZ Super.

KIWISAVER

Ka noho tonu te Kiwisaver hei papanga tuarua waiwai ki te pūnaha whiwhinga moni ahungarua, me te akiaki i te penapena ahungarua tūmataiti mēnā ka taea. Kāore mātou i tonoa kia aro nui atu ki te KiwiSaver i tēnei arotake, i te mea he wāhanga matua o te RRIP 2019. Nā te takaroa nā te KOWHEORI-19 i tatari mātou ki te rongo he aha ngā mahere Kāwanatanga ki te whakatau i ētahi tūtohu i puta i te arotake o mua.

E tino tūmanako ana ahau kia kite i ngā tāpaenga kaituku mahi mā te hunga kei raro i te 18 tau, pakeke ake hoki te 65 tau. Me whai whakaaro hoki te Kāwanatanga ki ētahi poapoa anō hei whakarākei ake i te KiwiSaver, pēnei i te panoni i te tāpaetanga mōkito, me te whakapoapoa i te KiwiSaver mā te hunga iti te te tapeke, kāore i te whiwhi tāpaetanga kaituku mahi (te hunga kirimahi).

I miramira ā mātou rangahau i te āputa penapena ā-ira puta noa i ngā rāngai pakeke, engari he hāhaka te whānuitanga o ngā tapeke KiwiSaver i muri i te kōhuretanga o te kaupapa.

Ka hiahiatia ngā whakapainga haere tonu ki te kaupapa me ētahi kōwhiringa penapena tūmataiti me te mātauranga ki te para i te huarahi mō ngā putanga ahungarua pai ake.

NĀ TE MĀORI, MĀ TE MĀORI

I miramira ā mātou rangahau e titiro ana ki te āhua o te rangahau ki te Māori i te āhuatanga uaua kei mua i te Māori i nāianei, ā mohoā nei. E tohu ana ki te pānga kino o te tāmitanga, te tautika-kore ā-anga, me te korenga o te whenua i runga i te nuinga o te tangata.

He mārama te kōrero i rangona, arā, kia pai ake ai ngā putanga kaupapahere, me whai i te tikanga 'Nā te Māori, mā te Māori'. Koinei au e kī nei, ehara tēnei i te wā tika ki te whakaputa tūtohu hei hiki i ngā putanga ahungarua mā te Māori ki te kore he Rōpū Tohutohu.

Me whakaaro ā-pae tata, ā-pae wawaenga, ā-pae tawhiti hoki, me ngā panoni ā-anga, ā-torowhare, ā-whanonga hoki ki te whakaumu i te oranga o ngā pākeke Māori.

RAPU WHARE

I te wā i kuhu mai te Pūtea Penihana, i puta i runga anō i te whakaaro ka noho te hunga āhei hei kaipupuri whare, mōkete-kore, kei roto rānei i ngā whare kāwanatanga iti te utu.

KIWISAVER

KiwiSaver remains a vital second plank in the retirement income system, encouraging private retirement saving for those who can. We have not been asked to focus as heavily on KiwiSaver for this review, given it was a strong feature of the 2019 RRIP. Delays caused by COVID-19 meant we are waiting to hear back on the Government's plans for addressing some of the recommendations that were made in the previous review.

I am particularly hoping to see under-18 and post-65 employer matching contributions. The Government could also consider additional incentives to further enhance KiwiSaver, such as reconsidering the minimum contribution level, and incentivising KiwiSaver for those groups with lower balances, or who do not receive an employer matching contribution (such as the self-employed).

Our research has highlighted the gender savings gap across the ages, but also that KiwiSaver balances in general are low, and are likely to remain low even after the scheme matures. Ongoing improvements to the scheme and additional private savings options and education will be needed to pave the way for better retirement outcomes.

BY MĀORI, FOR MĀORI

Our research looking at what retirement looks like for Māori has highlighted the difficult situation Māori face now and, in the future. It points to the detrimental effect that colonisation, structural inequality, and land loss has had on most.

There was a clear message throughout that to ensure better policy outcomes a 'By Māori, for Māori' approach must be taken. This is why I do not consider it yet appropriate to make a set of recommendations to improve Māori retirement outcomes without having the benefit of an appropriate Advisory Group (or rōpū).

Transforming the lives of older Māori will take short, medium, and long-term strategic thinking and planning as well as structural, institutional, and personal behavioural change.

HOUSING

When NZ Super was introduced, it was with the underlying assumption that those accessing it would be mortgage-free homeowners or be

He tino rerekē te āhuatanga i tēnei rā. E kitea ana te heke haeretanga o ngā pāpānga pupuri whare, me te hunga e mahi tonu ana nā te mea e nama tonu ana ngā mōkete, e utu rēti ana, kāore rānei i kaha ki te penapena mō te ahungarua.

I runga i ngā ia o te wā nei, ka hiki mā te 100% te hunga rēti whare pakeke ake i te 65 tau. He matapae pōauau tēnei, otirā ka panoni i te āhua o te horanuku ā-whare. Ko te matapae pae tawhiti, ka neke te pāpānga pupuri whare ki te 60% kaipupuri whare me te 40% hunga rēti. Hei te 2048, ka eke tēnei 40% ki te 600,000 tāngata.

Aua atu te mōhio mēnā ka rahi ngā whare mō tēnei hunga e whanake haere ana, o ngā kairēti pakeke, otirā he māharahara nui, me whakatau wawe.

ARONGA WHAKAMUA

Pērā ki ngā tūtohu o mua, he nui te aro o tēnei RRIP 2022 ki te Māori, ngā Iwi o Te Moana-nui-a-Kiwa me te wahine. E mārama ana hoki i te hiahia ki ētahi arotake anamata e uru mai ai ngā tāngata whaikaha me ngā rōpū hangapori whānui ake, hei whakaata i te huringa o te taupori o tēnei motu. Ko te nuinga o te hunga whaikaha, he pakeke (ka hauā haere) ā, ka piki haere ngā tatauranga i te pikinga o te reanga 65+. He 59% o te hunga 65 tau, he hauātanga ō rātou, otirā he 21% anake mā te hunga kei raro i te 65 tau, ā, 11% o ngā tamariki.[1] Ko ngā whare e nōhia ana e tētahi tangata whaikaha, ko te āhua nei he iti ake te moni whiwhi nā te iti o te urunga ki te rāngai mahi, otirā he whāiti te āhei ki te penapena mō te ahungarua.

E huri ana te āhua o te kanorau mātāwaka o Aotearoa, ā, hei te 2043, ka noho pea te taupori Āhia hei iwi nui tuarua i Aotearoa (ka hipa i te Māori), arā, ko te hauwhā o te taupori. Ka uru ki te kupu Āhia ngā manene hou, kaua mai i Haina anake engari mai i Piripīni me ētahi atu whenua o Āhia ki te tonga me te rāwhiti, me Īnia hoki.

Kāore mātou i āta rapu tono ki tēnei RRIP i te mea i te whai mātou i ngā rangahau whānui, tae atu ki te kōrero ki ngā momo hunga tāoki kanorau, me te hunga kua tata te tāoki. Engari e toru ngā tono i tae mai mai i a Grey Power, Kaspanz me Lynley Jenness, otirā kua whakaputaina ki tā mātou pae tukutuku.[2] Kua whai whakaarotia ēnei take i runga anō i ngā Tikanga Mahi e whai pānga ana.

in accessible and affordable public housing. Today, the reality is very different. We are seeing declining home ownership rates, and more people needing to continue working longer because they still have mortgages to pay, are paying rent, or have not been able to save enough to retire.

Based on current trends, there is going to be a 100% increase in people renting aged 65 and over. This is a staggering projection that will change New Zealand's housing landscape. Long term the balance of homeownership is expected to shift to 60% homeowners and 40% paying rent. By 2048, this 40% will equate to up to 600,000 people.

Whether there will be enough suitable housing stock for this growing cohort of older renters is a growing concern and will need addressing urgently.

FUTURE FOCUS

As indicated previously, we have given particular focus of the 2022 RRIP to Māori, Pacific Peoples, and women. We also recognise the need for future reviews to consider people with disabilities and wider demographic groups reflective of the country's changing population. Most people with disabilities are older people (who become disabled later in life) and their numbers will increase as the proportion of the population aged 65+ increases. 59% of people aged 65 or over have a disability compared to 21% of adults aged under 65, and 11% of children.[1] Households that include a person with a disability, or individuals with a disability tend to have lower income due to lower labour market participation, which limits their ability to save for retirement.

The ethnic diversity of Aotearoa is changing and by 2043, the Asian population is likely to be the second largest ethnic group in New Zealand (overtaking Māori) and represent over a quarter of the population. The term Asian captures new migrants not only from China but also from the Philippines, other parts of South and East Asia, and India.

We did not actively seek submissions to this RRIP because we were undertaking a wide range of research that included speaking to a diverse range of retirees and pre-retirees. However we received three submissions from Grey Power, Kaspanz, and Lynley Jenness, which are published on our website.[2] The issues raised have been considered against the relevant Terms of Reference.

1 Disability-Survey-2013.pdf (stats.govt.nz)

2 2022 Review of Retirement Income Policies | Retirement Commission Te Ara Ahunga Ora

HEI WHAKAKAPI AKE

Kei te hiahia au ki te mihi ki te hunga i whai wāhi mai ki tēnei mahi, ina koa ki a Dr Suzy Morrissey me tana rōpū, nā rātou te kaupapa rangahau nunui nei i ārahi. Kei te hiahia hoki au ki te mihi ki a David McLean mō te ārahi i te rōpū mahi penapena tūmataiti, me te Minita mō ngā Take Ahumoni a Hōnore David Clark mō tana tautoko.

E whakapono ana ahau kua whakatakotoria e mātou tētahi huinga mahi motuhenga hei whai mā te kāwanatanga, te rāngai tūmataiti, ngā kaituku mahi, ngā kairangahau me Te Ara Ahunga Ora - otirā ko te hua i te mutunga iho, he pai ake ngā putanga ahungarua mā Aotearoa.

E tutuki ai ngā take whiti-kāwanatanga manganga pēnei i ēnei kua whiriwhiria e mātou, me mahi whiti-kāwanatanga, me mahi ngātahi hoki te rāngai tūmataiti. E kore tēnei e tutuki i tētahi tari kotahi anake, otirā koinei kāore i noho ēnei tūtohu āku i raro i te kāwanatanga anake, engari kei a tātou katoa.

Kua whakaaratia nei e mātou ēnei take kia kitea ai ngā kōrero rerekē o te ahungarua. He nui hoki ngā āhuatanga i kitea ai ngā kōrero kino, ā, he nui te mahi hei whāinga ake. E tūmanako ana ahau, ki te whakatinanahia ētahi noa iho o ēnei tūtohu, mā tērā ka āwhina i te hunga o Aotearoa kia whai mana ō rātou oranga, e tika ana hei te wā o te ahungarua, ahakoa ō rātou tirohanga ki taua āhuatanga, ā, kia hākoakoa ai te rongo i te toi whenuatanga, me te hononga ki ō rātou whānau, te hapori me te whenua nei.

IN CLOSING

I want to acknowledge the many people who have contributed to this work, in particular Dr Suzy Morrissey and her team for leading an impressive body of research. I would also like to thank David McLean for leading the private savings working group, and the Minister of Commerce and Consumer Affairs, Hon. David Clark, for his ongoing support.

I believe we have laid out a set of realistic actions for the government, private sector, employers, researchers, and Te Ara Ahunga Ora Retirement Commission to take responsibility for – and ultimately will result in better retirement outcomes for the people of Aotearoa.

Complex cross-government matters such as the ones we have been grappling with require cross-government and private sector collaboration to resolve. This cannot be achieved by one agency alone and is why the recommendations I have made do not just sit with government but with all of us in differing ways.

We have brought to the fore the different realities and stories of retirement. In too many cases it does not make pleasant reading and there is much work to be done. I hope through actioning even some of these recommendations we will help ensure New Zealanders can live with the dignity and mana they deserve in retirement, whatever view they have of it, and enjoy a high level of belonging and connection to their whanau, community, and country.

Mahia te mahi, hei painga mo te iwi.

Work for the betterment of the people.

Jane Wrightson

Mana Ahungarua / Retirement Commissioner

NGĀ TIKANGA WHAKAHAERE
TERMS OF REFERENCE

The Minister of Commerce and Consumer Affairs, Hon Dr David Clark, issued the following Terms of Reference for the 2022 Review of Retirement Income Policies:

GENERAL

1. An update and commentary on the developments and emerging trends in retirement income policy since the 2019 review, both within New Zealand and internationally.

2. The impact of government policy on the retirement savings outcomes and experiences of Māori as Treaty partners, and of Pacific Peoples and women.

3. Ensuring the 2022 Review of Retirement Income Policies has sufficient use of distributional analysis, cultural and gender lenses to understand the different impacts of retirement policies across New Zealand.

SAVINGS

4. New non-government initiatives to encourage people to save in a complex COVID environment, in collaboration with the private sector.

KIWISAVER

5. Policy considerations (including design and product availability) for decumulation of retirement savings from KiwiSaver and other retirement savings schemes and assets after reaching the age of NZ Super eligibility.

6. Policy considerations arising from the exclusion of people from KiwiSaver who hold temporary, visitor, work, or student visas.

NZ SUPER

7. Income adequacy of NZ Super for future retirees who are renting a home or do not own their own home outright.

8. The impact on retirement income adequacy, and retirement planning for New Zealanders who live abroad, of the proposed change to a 20-year residency eligibility period for NZ Super.

HOUSING

9. How diverse housing options for seniors would have different impacts on pre-retirement savings and retirement income. The work should be complementary to that undertaken by the Office for Seniors and other relevant agencies.

NGĀ TŪTOHU
RECOMMENDATIONS

This Review (2022 RRIP) acknowledges that people are not similarly positioned to enter retirement and recognises that many different groups have a role to play in supporting people to improve retirement outcomes.

WHAKARĀPOPOTO O NGĀ TŪTOHU
SUMMARY OF RECOMMENDATIONS

To provide good retirement outcomes for all:

- Maintain NZ Super at current settings (current age of eligibility, universal, indexed)

To simplify saving and spending in retirement:

- Financial services industry initiates new savings initiatives and improved decumulation advice
- Provide better information on equity release products and NZ Super rate differences (for married and sharing)
- Extend KiwiSaver eligibility to temporary visa holders

To improve the retirement outcomes of Māori:

- Establish an advisory rōpū to more fully consider issues raised by our research and lead the development of policy options to present to Government

To improve the retirement outcomes of Pacific Peoples:

- Provide stronger pathways to home ownership through structured financial capability programmes
- Request financial institutions to actively consider a collective approach to borrowing

To improve the retirement outcomes of women:

- Ensure the gender and ethnic pay gaps and occupational gender segregation continue to be highlighted and addressed
- Ensure KiwiSaver contributions are maintained during periods of parental leave

To extend the range of housing options for seniors:

- Stimulate interest in building accessible and appropriately sized housing stock (both bigger and smaller)
- Increase the cash asset test for Accommodation Supplement to at least $42,700 per person

NGĀ TŪTOHU ĀMIKI
DETAILED RECOMMENDATIONS

FOR GOVERNMENT

- Maintain NZ Super at current settings (universal, indexed, age of eligibility)
- Continue and expand Ministry for Pacific People's Pacific Financial Capability programmes to support Pacific people to save, prepare for home ownership, and plan for retirement
- Extend KiwiSaver eligibility to temporary visa holders
- Remove the minimum contribution requirement for people on paid parental leave so they continue to receive the government contribution to their KiwiSaver account
- Amend KiwiSaver rules to require all KiwiSaver providers to report disaggregated data (age, gender, fund type) annually to FMA for publication
- Extend the requirement for existing KiwiSaver default fund providers to provide timely information and guidance in the approach to retirement (at age 55, 64 and 65) to all KiwiSaver providers
- Increase the cash asset test for the Accommodation Supplement to at least $42,700 per person and consider whether annual inflation adjustments are appropriate
- Make information available in relevant places to inform New Zealanders of how the 20-year residency change for eligibility for NZ Super relates to them
- Consider ways to stimulate the supply of affordable and accessible accommodation options for older people including
  - smaller properties to enable downsizing
  - larger properties to facilitate multigenerational living
  - accessible properties that function for people with disabilities

FOR THE FINANCIAL SERVICES INDUSTRY

- Implement the working group's private savings initiatives
- Consider how to better enable collective models of borrowing and ownership
- Provide bias-free and targeted advice to women
- KiwiSaver providers should use consistent terminology, and supply consistent information and guidance, to assist members with drawdown management
- KiwiSaver providers should recognise the post-65 use of KiwiSaver and ensure their products have been adapted for the decumulation (drawdown) phase, as well as in the accumulation phase. In particular, withdrawal forms should include guidance regarding regular withdrawals, and the overall guidance customers receive from their provider should be clear
- Providers of home equity release schemes should provide clear explanations of the product and its pricing to address its current negative perception

FOR EMPLOYERS

- Employers could maintain their employer contributions to their employee's KiwiSaver during parental leave (or other carer leave)
- Employers could support staff, where financially able, to make voluntary contributions into their partner's KiwiSaver during any periods of leave, to qualify for the government contribution
- Employers are encouraged to continue addressing their gender and ethnic pay gaps and occupational gender segregation

FOR TE ARA AHUNGA ORA

- Establish an advisory rōpū to consider retirement income policy changes that would better support Māori in later life and lead the development of policy options to present to Government
- Create a 'drawdown calculator' that shows how to convert assets into income using the 'rule of thumb' approach
- Create a way to compare the costs and services of managed drawdown products such as KiwiSaver and other managed funds
- Research should be undertaken to consider whether home equity release schemes provide value for money and how they might provide a suitable form of retirement income for some people
- Research should be undertaken to consider whether the different NZ Super rates for single, couple, and sharing reflect genuine differences in expenses incurred
- Research should be undertaken on whether rebates from council rates are set appropriately

WHAKARĀPOPOTOTANGA MATUA
EXECUTIVE SUMMARY

The research we have conducted for the 2022 Review of Retirement Income Policies reveals **THREE STORIES OF RETIREMENT**. The first is the dominant narrative that we are likely familiar with – occurring in a house that is owned outright with its occupants expecting a long and often healthy retirement. The research conducted for this Review has shown that while this was the case for many (although not all) in the past, it is not the case for everyone now, and will be true for fewer numbers of people in the future. Underpinning this story is a particular worldview where wealth is financial and may have been acquired through inheritance. As a result, this story of retirement is largely Pākehā, rather than Māori who face the ongoing impact of colonisation.

The key recommendation for this group of people is to maintain NZ Super at current settings (current age of eligibility, universal, indexed).

The second story of retirement is the one missing from the above. It is the story of struggling to get by in retirement, even where a home is owned outright, with people generally living just on NZ Super and perhaps being 'asset rich but cash poor'. NZ Super is relied upon by 40% of retirees and a further 20% only have a little more. It is also the story of a brief retirement, often the case for Māori and Pacific Peoples, whose life expectancy is shorter than Pākehā.

Additional recommendations relate to providing housing options for downsizing and examining equity release options.

The third story of retirement is an emerging one. It is the story of an increasing number of older people paying rent – 100% more by 2048 compared to 2020. While this was always a reality for many Māori and Pacific Peoples (challenging the dominant narrative of retirement) it is now the case for a growing number of people. It is also the story of continuing to pay a mortgage after age 65 – currently the case for 1 in 5 people of that age group.

The implicit assumption underlying NZ Super is that it is received by people who own their home outright. This impacts the payment rate and so, as ownership patterns change, other support is likely to be required by a growing number of people. Accommodation Support is designed to assist those facing high housing costs on low incomes.

The key recommendation for this group is to increase the cash asset threshold so that more older people can access means -tested Accommodation Support. Additional recommendations relate to removing barriers to collective ownership of property and building on collectively owned Māori land. Housing options for larger families are also recommended.

Retirement does not look the same for everyone. For many it is a time of rest and relaxation, while for others it is a time of continued service to their community. Some do not live to experience it at all. The 2022 Review of Retirement Income Policies identifies how we are differently positioned to save for retirement. The solutions to this are complex as the reasons for them are deep-rooted.

Many different groups have a role to play in improving retirement outcomes for all New Zealanders. The recommendations in this Review are a starting point to ensure our retirement income system, and elements of the society at large that impact on it, are fit for the 21st century.

WĀHANGA TUATAHI
HOROPAKI ME TE TAKENGA MAI

PART ONE
CONTEXT AND BACKGROUND

This section of the report provides an overview of the demography of Aotearoa New Zealand, our ageing population, and our changing ethnic breakdown.

It then outlines the international trends in retirement income policy and highlights the developments or changes that have occurred to retirement income policy in Aotearoa New Zealand since the 2019 Review of Retirement Income Policies.

HANGAPORI
DEMOGRAPHY

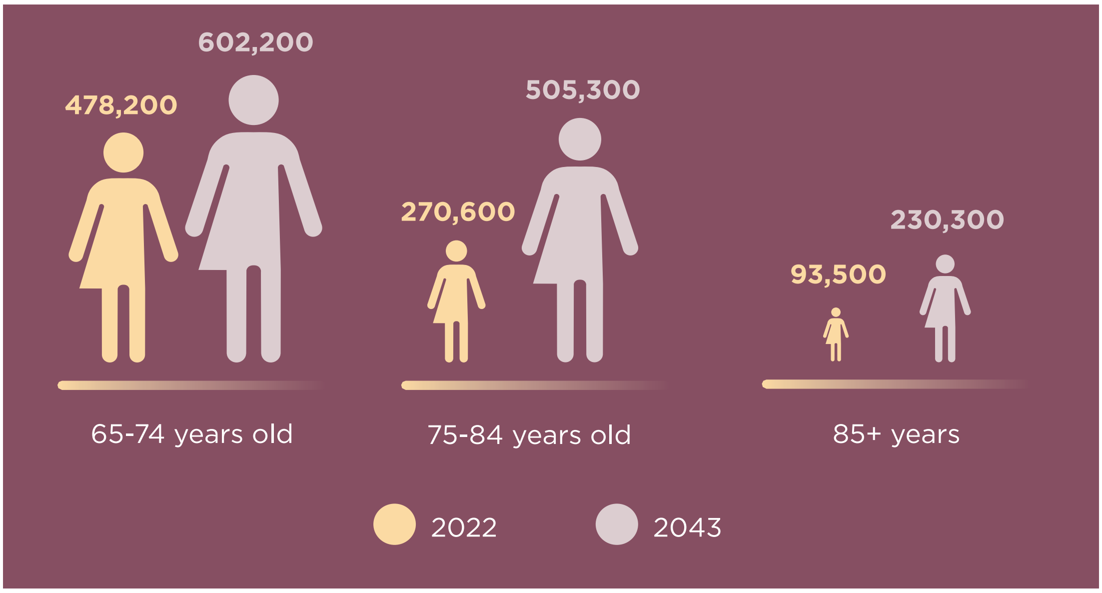
The age and ethnic profile of Aotearoa New Zealand is changing.

The process of colonialisation that occurred after the signing of the Treaty of Waitangi saw significant immigration into Aotearoa New Zealand, and changed the ethnic landscape, with a majority of early migrants coming from England, Ireland, or Scotland. The ethnic diversity of permanent migrants has increased over time with significant recent growth in the number of migrants from China, India, and other parts of Asia.[3] By 2043, the Asian population is likely to be the second largest ethnic group in New Zealand (overtaking Māori), and represent over a quarter of the population.[4] Auckland is one of the most ethnically diverse cities in the world, with 40% of its inhabitants born overseas, and the home of the largest Polynesian population of any city on earth.[5]

A common feature that the newer migrant groups (such as Chinese, Indian, and Pacific People) share with Māori is a **collectivist** culture, whereby people often live in larger or extended family groups, with strong community connections. This contrasts with an **individualist** culture where people generally live as a nuclear family or alone.

We are also an **ageing country**. We are experiencing both **structural ageing** (approximately a quarter of population will be over 65 by the 2040s) and **numerical ageing** (nearly 1.4 million over 65s by 2040s).[6] We are following the same trends of a number of countries such as Germany, Japan and Italy, which have had more than 20% of their population over the age of 65 for some time, and other countries such as Netherlands, Sweden, Finland, Greece and France that will soon have more than 20% of their population over the age of 65.[7] Our situation is outlined below.[8]

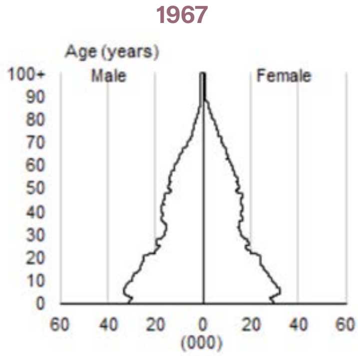
How the population of Aotearoa New Zealand is expected to age



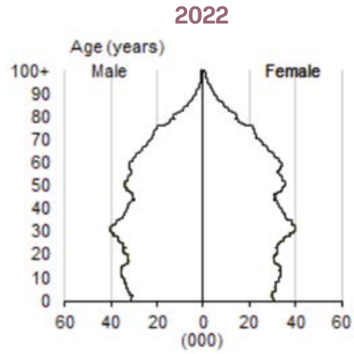
3 International migration to New Zealand: Historical themes & trends (productivity.govt.nz)
4 New Zealand's ethnic diversity will continue to increase | BERL
5 Auckland Population 2022 (Demographics, Maps, Graphs) (worldpopulationreview.com)
6 National population projections: 2022(base)–2073 | Stats NZ
7 Spoonley, P. (2020). The New New Zealand: facing demographic disruptions. Massey University Press
8 NZ.Stat (stats.govt.nz) National population projections, by age and sex, 2022(base)-2073 50th percentile

Population ageing is not caused by the baby boomers - it is the result of lower birth rates and people living longer.[9] The New Zealand population will not revert to a younger age structure (see below[10]), unless there are major changes to fertility rates (and/or immigration). There are regional differences in ageing, however, as these are not directly relevant to retirement income policy these are not considered further here.

How the population of Aotearoa New Zealand has aged over the last 55 years – by sex



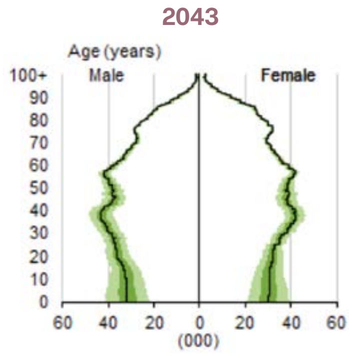
Source: StatsNZ



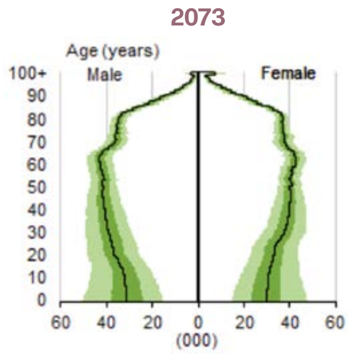
Source: StatsNZ

How the population of Aotearoa New Zealand is expected to age – by sex

Projections indicate that all ethnic populations will gradually age over the coming decades. However, as illustrated below[11], Māori and Pacific populations will continue to have a much younger age structure than the New Zealand population overall, because of their higher birth rates and shorter life expectancy compared to other ethnicities.

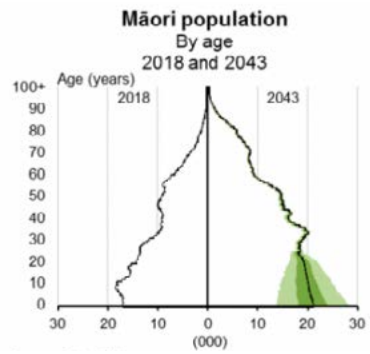


Source: StatsNZ

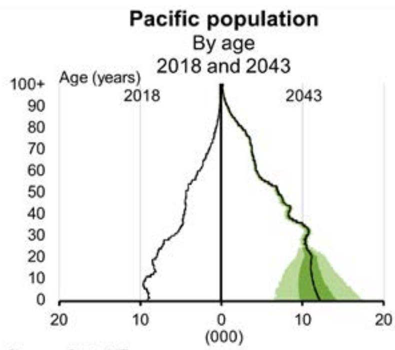


Source: StatsNZ

How the population of Aotearoa New Zealand is expected to age – by ethnicity



Source: StatsNZ



Source: StatsNZ

9, 10 National population projections: 2022(base)–2073 | Stats NZ

11 National ethnic population projections: 2018(base)–2043 | Stats NZ

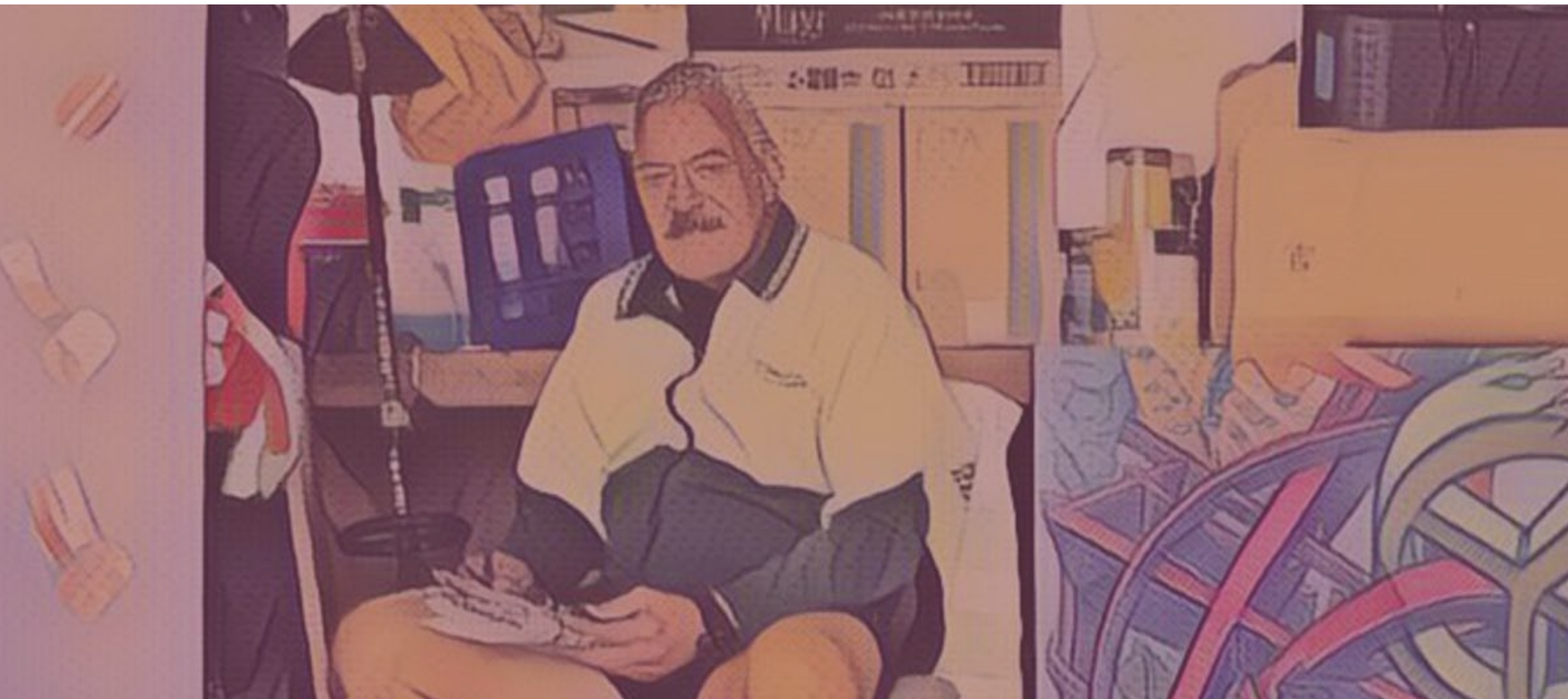
Over the period to 2043 the **Māori population** will not only grow but will be an increasing share of the New Zealand population in every age group. By 2043 one in nine people aged 65 and over will be Māori – an increase from one in 14 in 2018. Over the 20-year period to 2043, the number of Māori who will be in the prime workforce ages of 25-54 is projected to rise by 51%, while the number of non-Māori in those age ranges will increase by just 7%. Māori are projected to be 21 % of those aged between 25 and 54 in 2043, compared to 16% now.[12]

The **Pacific population** is a young population with a median age of 23 years. 34% are aged under 15 years compared to 5% aged 65 years and over. The 5% of Pacific peoples aged 65 years and over is mainly made up of females who were largely born overseas.[13] According to Stats NZ projections, by 2043 just over 10% of Pacific people will be aged 65 and over, while almost two-thirds will be aged between 15 and 64 years old.[14]

Dependency ratios that relate the number of people aged 65+ to the number of people in the 'working-age' population (15 to 64 years), are another way of considering the impact of the change in age structure. Projections indicate that by 2040, for every person aged 65 and over there will be 2.8 people aged 15-64, compared to 4.2 people in 2020.[15]

However, given the younger population age structures for both Māori and Pacific People, the dependency ratio taken for the whole of New Zealand does not provide the full context of changes in ageing of different ethnic groups. Currently the vast majority of those over the age of 65 are European (86%), and while the number of Māori and Pacific People over the age of 65 are forecast to increase over the period to 2043, Māori will still make up less than 10% of over 65s, with Pacific People only representing 5% of over 65s. This is in contrast to increasing percentages of both Māori and Pacific People aged between 15 and 64.

Any increases to the age of eligibility for NZ Super would therefore be disadvantageous to both Māori and Pacific People who are expected to become a larger proportion of the 'working-age' population over the next 20 years but remain a small proportion of those who eventually receive NZ Super due to shorter life expectancies. The current funding method of NZ Super is to 'pay-as-you-go' [PAYGO] whereby the current 'working age' population funds the payments of NZ Super through the tax it pays (although this will be modified in future when the drawdown from the NZ Super Fund begins). The current situation is that some Māori and Pacific People are, in effect, contributing to a policy that they are less likely to benefit from in the future.

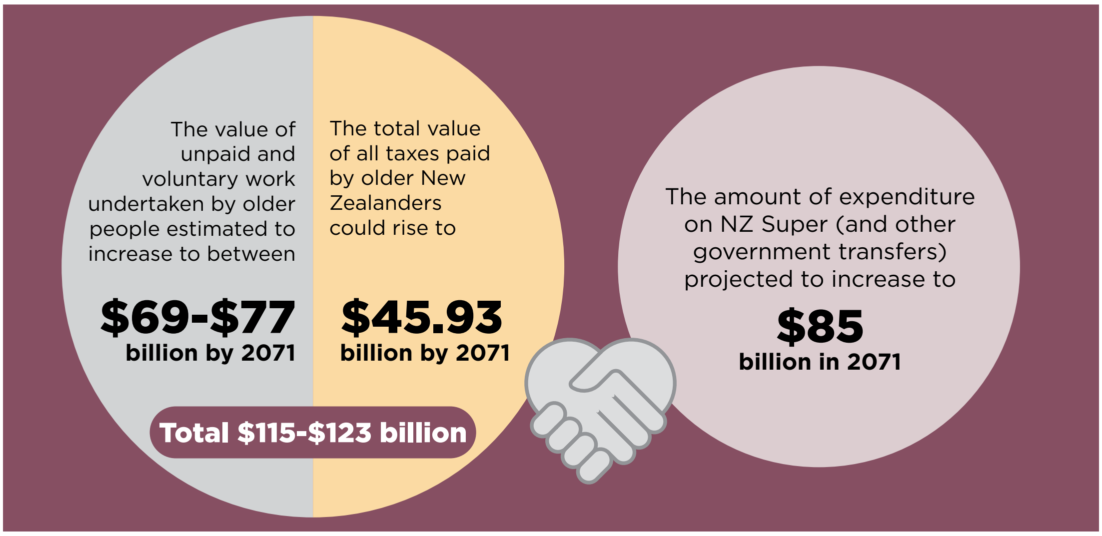


12 ToR-2-What-does-retirement-look-like-for-Maori-Demography-Part-3-of-4.pdf
13 Pacific-Peoples-in-Aotearoa-Report.pdf (mpp.govt.nz)
14 National ethnic population projections: 2018(base)–2043 | Stats NZ
15 National population projections: 2020(base)–2073 | Stats NZ

A further shortcoming in the dependency ratio is the implicit assumption that those over the age of 65 are no longer in the labour force or contributing to the economy. New Zealanders aged 65 and over already make, and will continue to make, a significant contribution to the economy.[16] Older workers are an essential (and growing) part of the workforce. The over 65s represented 6% of the labour force in 2020 but are expected to increase to 11% in 2073.[17] They will also contribute through their growing power as consumers. In total the value of all taxes paid by older New Zealanders could rise from $9.7 billion in 2021 to $45.9 billion by 2071.

In addition, older people continue to contribute through unpaid work, voluntary work and caregiving. The Royal Commission on Social Policy in 1988[18] noted that NZ Super is paid in recognition of the continuing contribution to society, through voluntary work and caregiving. This remains true today: the value of unpaid and voluntary work undertaken by older people was estimated to be between $13.9 and $15.5 billion per year in 2021 and is projected to increase to between $69 and $77 billion per year by 2071.[19] Taken together these benefits more than offset current and future projected expenditure on NZ Super.

The over 65s contribute more financially than the entire amount of expenditure on benefits



While NZ Super as a percentage of GDP is forecast to increase over time, the population growth of over 65s is set to increase at a higher rate. Forecasts indicating that by 2061, net expenditure on NZ Super will amount to 6.4% of GDP[20] should be seen against the backdrop of this being the primary government support for a quarter of the population. It seems reasonable expenditure for a large percentage of the population, particularly in light of the economic contribution that the over 65s continue to make.

Finally, a further implication of the changing demography in New Zealand relates to housing stock, and in particular the need to build housing stock that provides for what New Zealand is going to look like, rather than what it may have looked like in the past. The growing ethnic diversity of the New Zealand population will see increasing demand for multigenerational housing. Multigenerational housing will also be required in more situations, as care for older relatives is provided in the home as part of ageing in place, and as people live longer. Universal design features that make housing accessible for an ageing population is also a priority.[21] The traditional 3 bed, 1 bath 'family home', or newer multi-level terrace housing, will not cater for these changing demands.

16 Business-of-Ageing-2021-report.pdf (officeforseniors.govt.nz)
17 National labour force projections: 2020(base)–2073 | Stats NZ
18 RCSP-All-volumes-NEW-latest.pdf (publicgood.org.nz)
19 Business-of-Ageing-2021-report.pdf (officeforseniors.govt.nz)
20 He Tirohanga Mokopuna 2021 (treasury.govt.nz)
21 Government Policy Statement on Housing and Urban Development (GPS-HUD) - Te Tūāpapa Kura Kāinga - Ministry of Housing and Urban Development

Tikanga whakahaere 1 | He whakahoutanga, he tākupu hoki o ngā whanaketanga me ngā ia e ara mai ana i te kaupapahere whiwhinga moni ahungarua mai i te arotake o te 2019, i roto o Aotearoa me te ao.

Term of reference 1 | An update and commentary on the developments and emerging trends in retirement income policy since the 2019 review, both within New Zealand and internationally.

INTERNATIONAL DEVELOPMENTS AND EMERGING TRENDS IN RETIREMENT INCOME POLICY[22]

The key event dominating the **global pensions landscape** in the period 2020 – 2022 has been the **COVID-19 pandemic**. The OECD reports that, in general, the financial impact on current pensioners was limited as pension benefits were safeguarded. The impact on future pensions was also largely limited due to a range of measures such as job retention schemes and subsidised pension contributions. However, one area that potentially had a detrimental impact on future pensions was the decision taken in some jurisdictions, such as Australia and Chile, to provide early access to retirement savings in response to financial hardship brought about by the pandemic. By early 2021, the withdrawals from accounts in Australia amounted to 1.4% of the 2019 value of assets in Australia. In Chile, 25% of assets were withdrawn, with 35% of participants withdrawing all their savings.

New Zealand did not create special provisions to allow early access to retirement funds as a range of other income support and job retention mechanisms were implemented. While there was still the usual access to KiwiSaver funds through the hardship withdrawal process, there was a concerted effort from both government and the private sector to persuade individuals to use the government assistance on offer, and only use hardship withdrawals as a last resort.[23] The FMA noted a large increase in the number of inquiries about making hardship withdrawals. Ultimately, in the year to March 2021, there were 21,000 hardship withdrawals, worth on average $7,584, compared to 17,534 withdrawals worth on average $6,359 the year before.[24]

Apart from the impact of COVID-19 another trend in retirement income policy seen over the past few years has been an increase in income protection being introduced for those with low or no pensions. Chile, Germany, Latvia, and Mexico all raised benefits of individuals who recorded low earnings during their career. Australia, Canada, Norway, and Sweden also took measures to improve **old-age safety nets**.

In contrast, very limited action on **retirement ages or age of eligibility for pensions** was seen. In countries where higher pension ages were being phased in, this was often accompanied by more lenient options for early retirement. A number of other countries backtracked on planned changes, removing more ambitious reforms, and phasing change in more gradually. Ireland and the Netherlands postponed previously planned increases; however, Sweden has started to raise retirement ages, and has plans to link them to life expectancy from 2026. A recent report from the Institute for Fiscal Studies highlighted the adverse effects of the increasing pension age in the UK with the report finding that the increase in pension age from 65 to 66 doubled poverty rates among those aged 65.[25]

22 Unless otherwise indicated, the information in this section is all with reference to Pensions at a Glance 2021: OECD and G20 Indicators | en | OECD

23 Thinking of making a KiwiSaver hardship withdrawal? Here's what you need to know | Financial Markets Authority

24 Kiwisaver-AR-2021.pdf (fma.govt.nz)

25 How did increasing the state pension age from 65 to 66 affect household incomes? | Institute for Fiscal Studies (ifs.org.uk)

The continued structural ageing in many countries has seen different strategies put in place to **promote longer working lives.** In Canada, Greece, Japan, and Slovenia measures have been put in place to make paid work in older age more attractive, by removing disincentives to continuing to work at the same time as receiving a pension, while Spain is considering the possibility of paying out a yearly bonus for deferring retirement.

There have also been changes made to **earnings-related pension schemes**. In some cases, such as Mexico where mandatory contributions were substantially increased, this is expected to have a positive impact on future pensions. However, in other countries, such as Estonia, which changed from mandatory to voluntary contributions and allowed the withdrawal of pension assets, future pensions are expected to be adversely affected.

Finally, many countries have introduced **automatic adjustment mechanisms** in their pensions systems as a way to avoid getting caught up in political debates each time changes to the pension system are made. These generally relate to rules that automatically change parameters such as pension ages, benefits, or contributions rates, when specific demographic, economic, or financial indicators change.

NEW ZEALAND RETIREMENT INCOME POLICY CHANGES AND UPDATES SINCE 2019

The Ministry of Social Development[26] (MSD) has provided an update on legislation and policy related changes that have occurred since 2019. Key among these was the amendments to the NZ Super and Veterans Pensions systems to facilitate a move towards an assessment of entitlements on an individual basis. This resulted in the **closing of the non-qualified partner rate of payment**. In addition, there were changes made to the 'direct deduction' policy, as legislative amendments **removed the spousal deduction of government-administered overseas pensions.**[27]

Further legislative changes were brought about in 2021 by the 'fair residency' change which raised the minimum **residency qualification for NZ Super from 10 years to 20 years** after age 20. This specific change in legislation is considered in more detail in Term of Reference 8 of the current RRIP.

In response to the COVID-19 pandemic-related border and travel restrictions that prevented people from returning to New Zealand, the '**New Zealanders Stranded Overseas Support Programme**' (the NZSOS programme) was established in April 2020 to enable special financial support to be provided to recipients of NZ Super and Veterans' Pension (as well as those receiving main benefits and supplementary assistance). The programme closed on 31 August 2021.

The MSD report also provided an update regarding the number of people receiving NZ Super, which has increased by 9% in the period 2019 to 2022, in line with the overall population growth of over 65s in the same time period.[28]

The number of people aged 65 and over receiving supplementary assistance (which is means-tested and includes disability allowance, accommodation supplement, special benefit, and temporary additional support) has increased in absolute terms since 2016 but has declined as a proportion of the total population aged 65 and over. At the end of March 2022, the Accommodation Supplement (AS) was being paid to 50,808 people aged 65 and over, a 14% increase since March 2019. However, as a portion of the total population over the age of 65, AS is currently paid to just over 6% of people, a marginal increase from 2019 (5.8% of the over 65 population). It should be noted that many people aged 65+ do not qualify for AS because their

26 https://assets.retirement.govt.nz/public/Uploads/Retirement-Income-Policy-Review/2022-RRIP/Description-of-New-Zealands-Current-Retirement-Income-Policies-MSD-for-2022-RRIP-.pdf

27 The 'direct deduction' policy is the policy in terms of which those who receive a government administered pension from an overseas country, have their New Zealand payment reduced dollar for dollar by the amount of the overseas pension.

28 https://www.stats.govt.nz/news/one-million-people-aged-65-by-2028/

savings exceed the cash asset test (a maximum of $8,100 per person[29]). This is likely because retirement funds, such as KiwiSaver, are included as a cash asset after they become accessible at age 65.[30]

The Ministry of Business, Innovation and Employment (MBIE) provided an update on the key changes to **KiwiSaver policy** since 2019.[31] There are three main areas of change - changes to default funds, improvements to annual statements, and early access to funds for specific life-shortening illnesses.

In terms of change to **default funds**, in December 2021 six KiwiSaver providers were appointed to provide default funds for a seven-year term.[32] At the same time, changes were also made to default fund settings, with the goal to enhance New Zealanders financial wellbeing in retirement. Default fund members fees have reduced and become simpler and more transparent; the investment fund type for default KiwiSaver providers moved from conservative to balanced; default KiwiSaver providers are required to engage with their members to help them make more informed decisions about their retirement savings; default KiwiSaver providers are required to maintain a responsible investment policy on their websites; and investment in fossil fuels and illegal weapons is excluded from these funds.

Improvements to **annual statements** sent to KiwiSaver members mean they now include retirement savings and income projections. The projections are calculated using a consistent methodology and assumptions across all KiwiSaver providers.

From April 2020, the KiwiSaver Act 2006 was amended to allow people **with life-shortening congenital conditions** to apply to withdraw from their fund at a time that is right for them to retire, rather than once they turn 65. A list of presumptive conditions was developed in consultation with health and disability experts and introduced from March 2021. A person who has a congenital condition that is not on this list is still able to apply for a withdrawal if they are able to provide medical evidence that they have a congenital condition that shortens their life below the age of 65.

This amendment raises interesting questions about the applicability of this early access to groups with lower life expectancy brought about by health and societal inequities rather than a particular medical condition. This is an area that merits future consideration.

Te Ara Ahunga Ora has also focused its attention on aspects of retirement income policy. On 21 October 2020, the Retirement Commissioner released a statement defining the purpose of New Zealand's retirement income system.[33] This was a recommendation from the 2019 Review of Retirement Income Policies and is intended to address the lack of a coherent policy framework for retirement income issues.

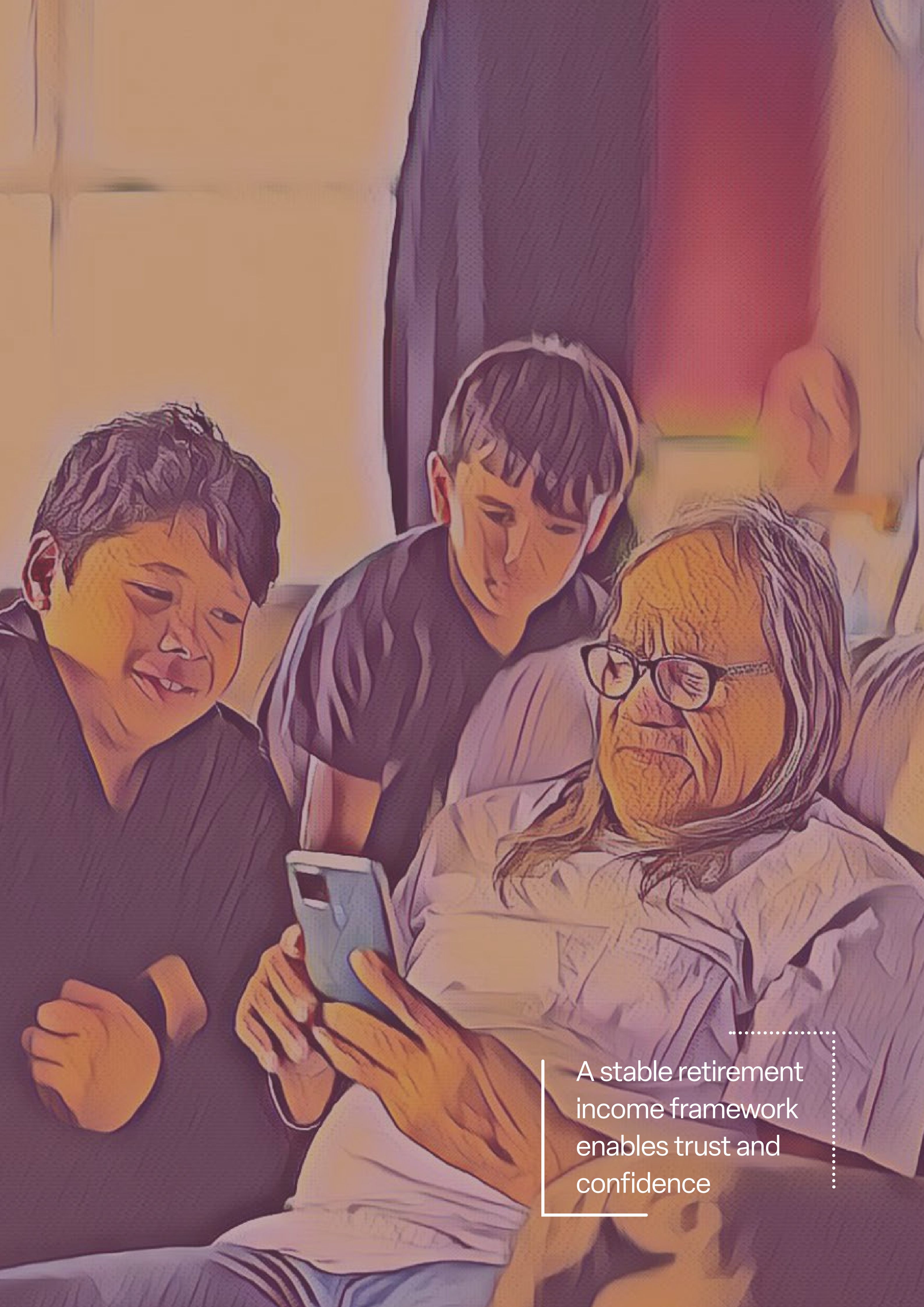
29 Cash asset limit - Map (workandincome.govt.nz)

30 KiwiSaver - Map (workandincome.govt.nz)

31 Changes to KiwiSaver Policy since 2019 (retirement.govt.nz)

32 The appointed providers include Bank of New Zealand (BNZ), Booster, BT Funds Management (Westpac), Kiwi Wealth, Simplicity and Smartshares (NZX).

33 CFFC-Policy-Papers-2021-01.pdf (retirement.govt.nz)



A stable retirement income framework enables trust and confidence

THE PURPOSE OF NEW ZEALAND'S RETIREMENT INCOME SYSTEM

> “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 whānau, community and country.
>
> To help current and future retirees to achieve this, a sustainable retirement income framework's purpose is twofold:
>
> - 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.
> - 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.”

A number of policy papers were released in 2021 and 2022,[34] which considered the implications of the Purpose Statement for the Retirement Income System, looked at how NZ Super and KiwiSaver compare to retirement income policies across the OECD, and provided summaries of the operational and policy settings of NZ Super and KiwiSaver.

In 2022, research commissioned by Te Ara Ahunga Ora[35] provided new insights into KiwiSaver using administrative data that provided breakdowns of balances by gender and age group. This was later supplemented by work carried out by the Retirement Income Interest Group of the NZ Society of Actuaries, which included fund type in addition to gender and age breakdowns.[36] There is no legislative requirement for providers to submit this level of disaggregated data and KiwiSaver data is only reported at an aggregated level in the FMA's KiwiSaver annual report.

Access to administrative data at a disaggregated level is key to ensuring that policy recommendations are based on evidence of how the KiwiSaver system is maturing, and we recommend that this information be routinely collected by FMA as part of its annual KiwiSaver report.

RECOMMENDATION

Government to require all KiwiSaver providers to report disaggregated data (age, gender, fund type) annually to FMA for publication.

34 Policy Papers | Retirement Commission Te Ara Ahunga Ora

35 TAAO-RC-Policy-Brief-2022_Kiwisaver.pdf (retirement.govt.nz)

36 Insights-into-current-KiwiSaver.pdf (actuaries.org.nz)

Finally, the Retirement Commissioner has been a strong advocate for superannuitants stranded overseas facing a threat to their NZ Super payment. When New Zealand's borders were closed for an unprecedented period due to COVID-19, stories emerged of New Zealand pensioners who had travelled overseas and were unable to return within 26 weeks, meaning their pensions were stopped and repayment demands issued after 30 weeks. The Retirement Commissioner actively advocated on behalf of these individuals, and while a concession was secured for some, others were hurt by legislation and policy that lacks flexibility. As set out in our Statement of Performance Expectations for 2022-23,[37] we intend to examine pension settings in 2023 to assess whether they should be updated and improved.

37 Te-Ara-Ahunga-Ora-RC_SPE-2022-2023_web.pdf (retirement.govt.nz)

WĀHANGA TUARUA
AHUNGARUA
-TŌMUA

PART TWO
PRE-RETIREMENT

In many ways, retirement should be the easiest thing to save for, because we have the longest time to do it. However, we generally find it hard to imagine our 'older self', and spending is often a more attractive proposition than saving.

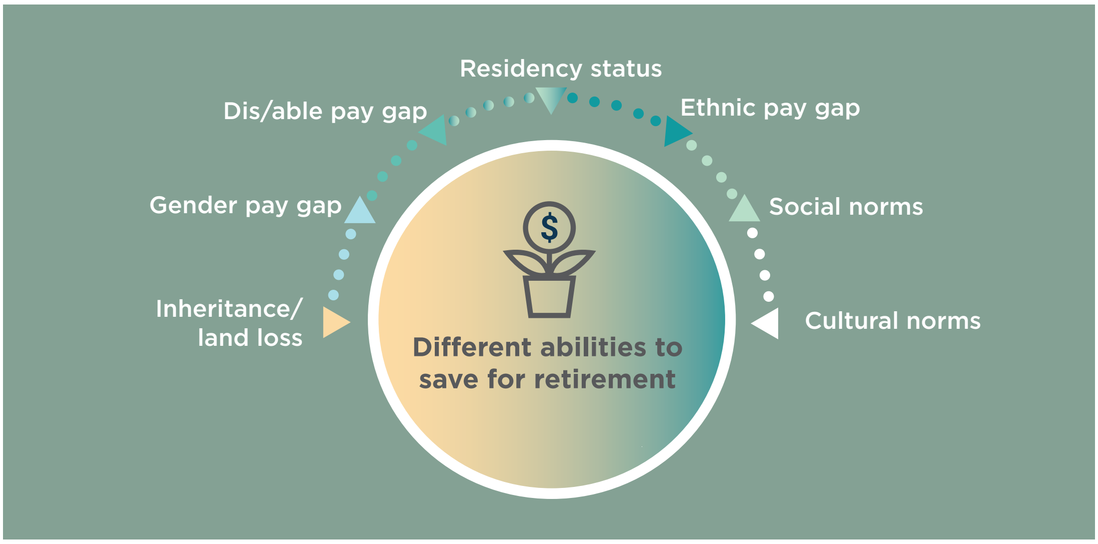
With that in mind, many retirement savings products rely on either default settings (such as the auto-enrolment mechanism in KiwiSaver) or behavioural 'nudges' (such as the projection of future balances on our annual KiwiSaver statements).

This section of the report considers the two terms of reference that focused on pre-retirement: one focuses on increasing private savings, and the other considers the eligibility criteria for joining KiwiSaver.

To set the scene, however, we must first consider the differences in pre-retirement income between groups of people. This is in line with the terms of reference that require sufficient distributional, gender, and cultural analysis, and a focus on the retirement savings outcomes and experiences of Māori as Treaty Partners, Pacific People, and women.

TĒ ĀHEI KI TE PENAPENA MŌ TE AHUNGARUA

ABILITY TO SAVE FOR RETIREMENT

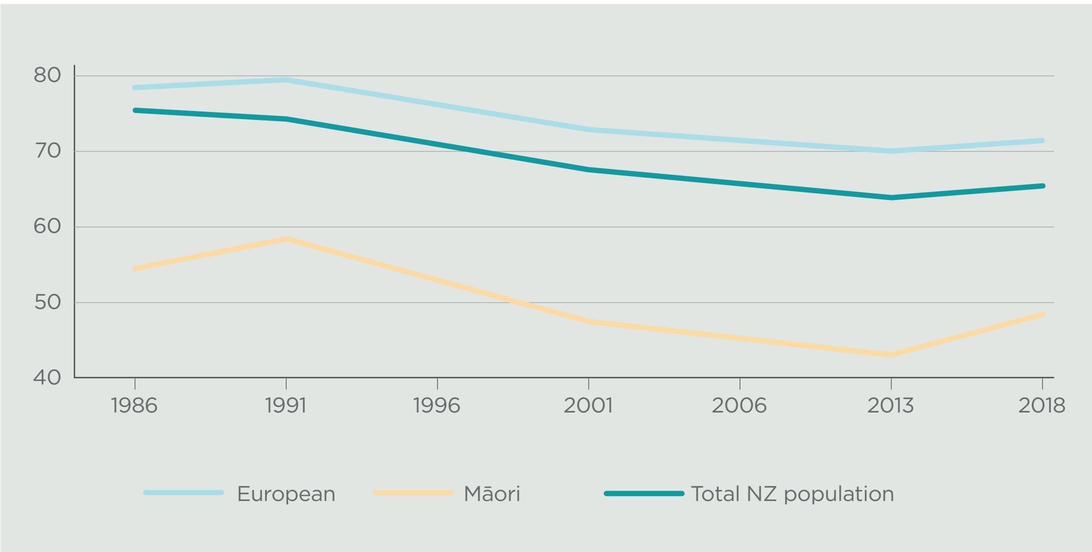


INHERITANCE / LAND LOSS

For Māori, whenua provides a spiritual connection to the past and to tūpuna, and a point of connection for future generations. It is not considered to be an economic asset that can be sold.[38]

The loss of whenua Māori after the colonisation of Aotearoa has resulted in the ongoing concentration of land in Pākehā hands and the prevalence of inheritance within Pākehā families of land and property (as outlined in the graph below). The rate of home ownership by Māori is lower than the total population and significantly lower than by Europeans.[39]

Proportion of people living in an owner-occupied dwelling, by ethnicity, 1986-2018



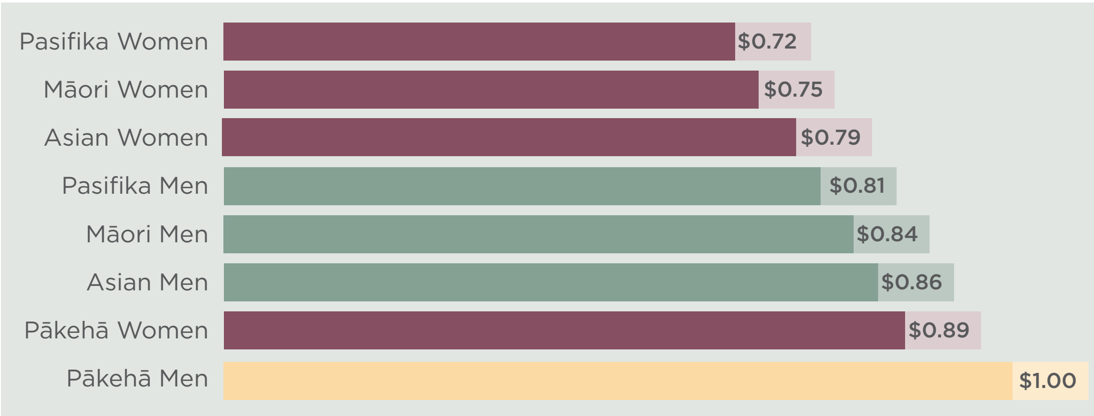
38 Kāinga Noho – Kāinga Whenua Housing and Whenua: Kaumātua Voices (retirement.govt.nz)

39 Te Pā Harakeke: Māori housing and wellbeing 2021 | Stats NZ

EARNINGS

The ability to save for retirement is influenced by pre-retirement earnings, which **vary by gender, by ethnicity, and by dis/ability**. On average, Pacific women earn the least, followed by Māori wāhine. Pākehā men earn the most, followed by Pākehā women, and Māori tāne earn more than Pacific men.

The ethnic and gender pay gap in Aotearoa New Zealand



Source: Gender Equal NZ

The Human Rights Commission has led a national inquiry into the Pacific Pay Gap[40] to better understand why this pay gap exists and how it can be closed. The findings show that only 27% of the pay gap for Pacific males could be explained and 39% for Pacific females.[41]

Work to support wāhine Māori has been initiated by the Waitangi Tribunal. The Wai 2700 Mana Wāhine Inquiry is looking into claims which allege prejudice to Māori women arising from Crown breaches of the Treaty of Waitangi with damage to their customary roles and relationships with their whenua, whakapapa and mātauranga, with serious prejudicial consequences for their social, economic, cultural, and spiritual wellbeing, and their access to leadership roles. The employment of wāhine Māori, including the wāhine Māori pay gap and pay equity, is one area under inquiry.

There has also been a recent legislative change to support pay equity through a new process for individual employees and unions to raise a pay equity claim directly with an employer for work which may be subject to systemic sex-based discrimination. Improving pay equity would reduce the inequity in retirement outcomes between men and women by increasing women's income from paid work, and their potential to save, especially through the income-related KiwiSaver scheme.

People with disabilities are less likely to be in paid work and less likely to be in full-time work. They also experience a pay gap with those without disabilities. In 2020, the employment rate for disabled people aged 18 to 64 was 39.9%, less than half the rate for non-disabled people in the same age bracket of 81.4%. 27% of disabled people with a job worked part time (fewer than 30 hours a week) compared with 17% of non-disabled people. The average pay gap between people with and without a disability is 10%.

RESIDENCY STATUS

NZ Super has residency-based eligibility criteria. Currently, there is a requirement to have lived in New Zealand, the Cook Islands, Niue, or Tokelau for at least 10 years since the age of 20, and for at least five of these years to have been since the age of 50. The 10-year requirement is being increased incrementally and will be 20 years for future superannuitants born after 1 July 1977.[42]

40 Human Rights Commission :: Recommendations from Pacific Pay Gap Inquiry report handed to Government (hrc.co.nz)

41 Pacific-Pay-Gap-Inquiry-Final-Report.pdf (secureservercdn.net)

42 TAAO-RC-Policy-Paper-2021-03.pdf (retirement.govt.nz)

KiwiSaver is currently open only to citizens who are living permanently in New Zealand and people holding a resident class visa. Temporary visa holders are not eligible to join KiwiSaver (even if their visa enables them to work here legally).

SOCIAL NORMS

Social norms impact the nature of paid and unpaid work undertaken. Women do more domestic work and care work than men, on average, and often do only part-time paid work after having children whereas men will generally remain in full-time paid work. This is explored in more detail under 'What does retirement look like for women?'.

CULTURAL NORMS

Cultural norms influence how we live. Many cultures take a collective view of family and society. This can mean living intergenerationally or with members of extended family. It can also mean a collective approach to money and savings, which results in sharing and pooling of money and other resources, within and between families and community members. It contrasts with an approach that individualises savings and housing or keeps them within a nuclear family unit.

Cultural norms also impact the nature of expenditure we incur. These are explored in more detail under 'What does retirement look like for Māori?' and 'What does retirement look like for Pacific People?' and include items such as manaakitanga, kaitiakitanga, giving to church, remittances, and fa'alavelave.

Tikanga whakahaere 4 | Ngā kaupapa tūmatanui hou hei akiaki i te tangata ki te penapena i te wā o te KOWHEORI, i runga anō i te mahi tahi me te rāngai tūmataiti.

Term of reference 4 | New non-government initiatives to encourage people to save in a complex COVID environment, in collaboration with the private sector.

A Working Group was convened to address this Term of Reference to enable the industry to contribute ideas directly to the Review. The Chair was David McLean, the former Chief Executive of Westpac, and a former chair of the NZ Bankers' Association. The members of the Working Group were drawn from our partners in the National Strategy for Financial Capability[43] after a call for expressions of interest.[44]

The Working Group considered the savings problem and opportunities, behavioural economics on decision making, and the types of existing savings initiatives. It made a number of suggestions and identified some additional opportunities. A full report is available on the Te Ara Ahunga Ora website.[45]

One suggestion is in the pipeline and another has been previously suggested to the Government. These were a shared resource platform, capturing an established body of knowledge including research, trials, findings, and insights from across the finance industry, which is one of the projects in the National Strategy for Financial Capability; the other an emergency savings 'sidecar' linked to KiwiSaver, which was one of the recommendations of the 2019 Review of Retirement Income Policies.

The remaining suggestions support the Retirement Commissioner's purpose statement for the retirement income system, which includes actively supporting New Zealanders to build their savings.

SUGGESTIONS:

1. The financial services industry and NZ Bankers' Association to drive forward open banking[46] as a faster priority, which will pave the way for tech-based savings solutions. This will require faster action and clear communication to customers on password safety.

   Examples of unlocking better customer outcomes through open banking include:

   - Spotting opportunities (through data and AI) to focus on moments of change (such as moving, pay rise, new job etc.) and steer people towards the right products. People are more likely to have habit stickability and be better primed to make change at those times and messaging could be 'it looks like your pay has gone up; would you like to tuck all/some of this away?'.
   - Industry support or collaborate on a planning tool to encourage emergency savings – something that relates to individual situations and suggests what appropriate emergency savings look like for your circumstances.

43 The National Strategy for Financial Capability | Retirement Commission Te Ara Ahunga Ora

44 The working group members were Anokha Chand (Westpac), David Clay (ASB), Peter Crawford (Crown Financial Ministries), Josie Crimmins (Whai Rawa), Michael Daymond-King (Forsyth Barr), Graeme Edwards (Collingwood Chambers), Harry Forster (BNZ), Casey Grindlay (Kiwibank), Julia Jackson (Kiwibank), Jessica Jamieson (Impower), Daniel Lark (Forsyth Barr), Anna Livesey (ANZ), and Shula Newland (Full Balance).

45 ToR-4- TAAO Encouraging Savings (retirement.govt.nz)

46 Open banking refers to the use of open application programming interfaces (APIs) that enable third-party developers to build applications and services around the financial institution.

2. Banks and financial services industry embrace the spirit, as well as the letter, of the Conduct of Financial Institutions (CoFI) regime to entice positive behaviour change by systematically applying the latest behavioural science and research to encourage customers to save. Banks to meet regularly, including CEOs, at least once a year, to report on how they are using behavioural insights, research, and open banking systematically to incentivise positive financial behaviour for their customers including saving. If this doesn't happen, the Government should step in to regulate this under CoFi.

   Examples of how banks and other large institutions could apply behavioural insights for better customer outcomes include:

   - Accounts rewarding customers with more interest when reaching a milestone, improving access to higher interest savings products (such as term deposit) when customers don't have as much money to put in.
   - Showing savings contribution differences very visually and linking to how better off people will be in future (similar to 3% vs 4% KiwiSaver contribution and its retirement impact of what you could have weekly).
   - When customers open an account, they are automatically offered an emergency account or rainy-day fund, and then automatic deduction each month goes into this account.
   - Making it easier for people to access higher interest savings products (such as term deposit) when they don't have as much money to put in.
   - Offering customers the choice to divert money they previously paid on debt or student loans, to automatically be put into savings or KiwiSaver, once that debt is repaid.
   - Being clear with customers what extending their loan term would mean in extra cost over the life of the loan.
   - Making it easier for people to utilise an automated deduction from wages for general savings, making a decision once, which is then automated.

3. Show people visually upfront what their spending decisions cost them over time. This should apply to debt as a total cost over the life of the loan in the same way projections are used for investment.
4. Banks and other large institutions have appropriate products to meet the needs of their customers that are culturally responsive for Māori and Pacific peoples and explore opportunities to partner with iwi and other community organisations.
5. Bank customers with 'sticky' debt supported and steered to more beneficial products as it is not good conduct (under CoFI) to enable customers to not pay off their debt.

RECOMMENDATION

The financial services industry should implement the working group's private savings initiatives.

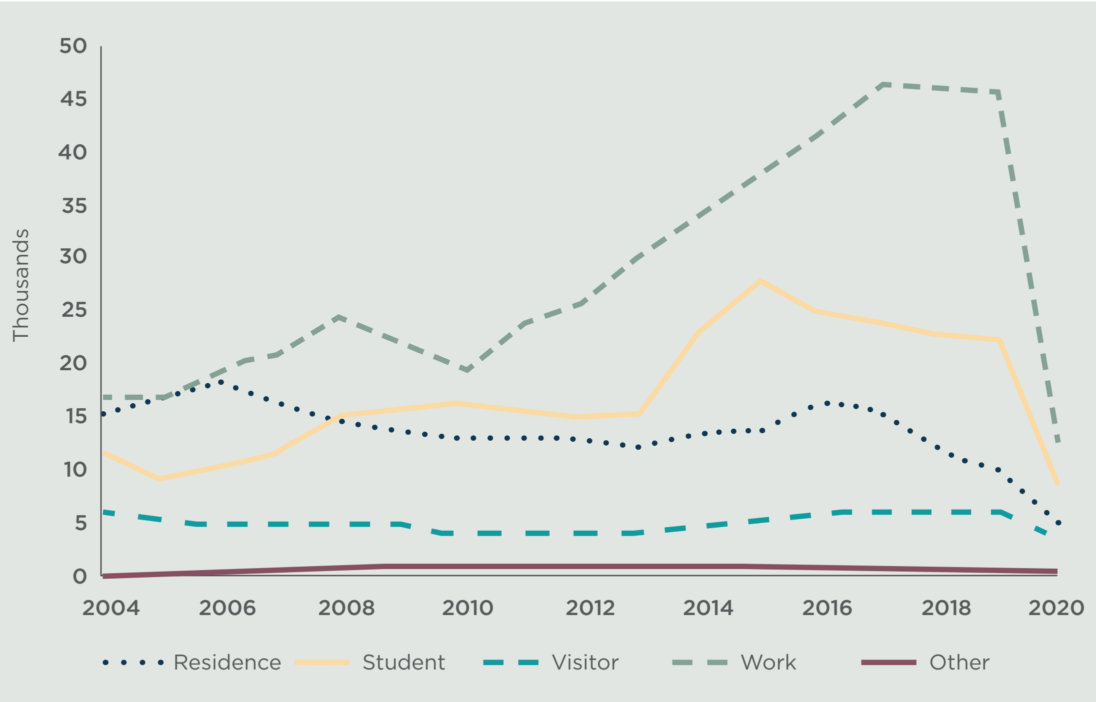
Tikanga whakahaere 6 | Ngā whai whakaarotanga kaupapahere ka pupū ake i te aukatitanga o te tangata i te KiwiSaver, e pupuri ana i ngā kōkota taupua, manuhiri, mahi, ākonga rānei.

Term of reference 6 | Policy considerations arising from the exclusion of people from KiwiSaver who hold temporary, visitor, work or student visas.

Modern immigration policy has had a strong labour market focus aiming to fill current shortages of workers, which is reflected in the fact that the share of skilled immigrants (and accompanying family) as a percentage of total residence approvals in Aotearoa New Zealand is one of the highest in OECD countries.[47]

The number of temporary migrants has increased over the last 20 years and a pathway of temporary visas (student or work) leading to permanent visas has been established. In 2014, the OECD reported that Aotearoa New Zealand had the highest rate of temporary migration in the developed world, relative to population. Details of temporary and permanent visa arrivals are outlined in the graph below (the dramatic decline in early 2020 reflects the closure of the border due to COVID-19).

Arrivals by visa type



Source: Stats NZ (2021a).

Note: For Stats NZ's purposes, "long-term arrivals" are those who intend to stay in New Zealand for 12 months or more.

47 https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=ECO/WKP(2019)35&docLanguage=En

Migrants on temporary visas do not have the same rights as permanent residents or citizens and one of the differences relates to retirements savings. Temporary visa holders are not eligible to join KiwiSaver even if they are legally entitled to work here. This positions Aotearoa New Zealand differently from other similar destinations (such as Australia, the UK, and the USA) as temporary migrants can join the workplace-based retirement savings schemes in those countries.

The policy implications of excluding temporary visa holders depend on a number of factors, including the rate of conversion from temporary to residence visas, and how long that transition takes. This is because policy settings would ideally support those who are going to spend their retirement in Aotearoa New Zealand and require retirement savings.

Research commissioned for this review has considered these factors.[48] The research shows that people can remain on temporary visas for over five years (for example, analysis of arrivals in one particular year revealed that 14% or 10,000 people were still in the country holding temporary visas five years after arriving). The research also showed that many people will transition from temporary to permanent visas (32% of the same group of arrivals had transitioned to a permanent visa after five years and further conversions may take place at a later date).

When considering the significance of this for retirement savings, the age of the migrant is also important, as retirement savings are likely to increase over time. The average age of those holding student visas was 24 and worker visas was 30. Based on this analysis, AUT estimated that migrants' KiwiSaver balances would be $36,000 to $51,000 lower (depending on fund type) at age 65 due to lost contributions and growth during the time spent on temporary visas.

Accordingly, there is an opportunity to support the retirement outcomes of those who migrate to Aotearoa New Zealand on a pathway that commences with a temporary visa, by expanding eligibility for KiwiSaver to this group. An additional reason to do so is that Aotearoa New Zealand wants to be an attractive destination to the globally mobile labour force and not present any impediments to moving here. However, with the upcoming changes to increase the period of residency required to be eligible to receive NZ Super[49] (see Term of Reference number 8), new migrants will face a double barrier if they continue to be excluded from KiwiSaver.

Turning to the potential implications of this change for providers, it can be expected that withdrawal requests on permanently leaving New Zealand (already possible in the legislation) would increase, and that providers would find themselves with an increased number of dormant accounts. Dormant accounts arise when contributions cease, so an increase in people who have KiwiSaver accounts permanently leaving the country would lead to increase in dormant accounts, unless the funds were transferred to a new retirement savings account overseas. The dormant accounts present two potential issues, one relating to administration, and the other to the balance of the KiwiSaver account. (Note that the government contribution cannot be withdrawn).

Part of the additional compliance requirements for providers of default KiwiSaver funds is to maintain up-to-date contact details (email and physical or postal address) for 90% of their members.[50] The inclusion of temporary visa holders, who may decide to return to their home country (or another destination) instead of remaining in Aotearoa New Zealand, has implications for the ability of default providers to meet this requirement. As such, there should be a 'carve out' or similar modification to these requirements for default providers, so they are not unduly penalised.

Similarly, if providers do not want to retain the funds in dormant accounts (after a set number of years of inactivity), then they could be transferred to the centralised account held by The Treasury, which is already established for the purpose of holding unclaimed monies in dormant accounts.

48 RQ1-3-KiwiSaver-and-temporary-migrants.pdf (retirement.govt.nz)

49 Changes to residency rules for NZ Super coming - Work and Income

50 Minimum service requirements as set out in Schedule 3 of default providers' instrument of appointment

OPTIONS ANALYSIS TOR #6

	Options/ considerations	Options/ considerations	Conclusions
Visa type	All temporary visas	Some temporary visas (for example, exclude working holiday visas)	Pathways to residence visas are varied so all types of visa holders should be eligible to join KiwiSaver
Enrolment method	Auto-enrolment with opt-out (current method)	Opt-in for temporary visa holders	Administratively simple and in line with 'nudge' behaviour to continue with current method of enrolment
Withdrawals	Legislation currently allows for withdrawals by anyone permanently migrating from the country	If a withdrawal is not made the account may become dormant	Providers will likely experience an increase in withdrawal requests
Withdrawals	Government contribution cannot be withdrawn	Maintain or remove setting	Maintain current policy settings so that government contribution cannot be withdrawn
Dormant or 'ghost' accounts	Contact details requirement for default fund providers	Potential to lose track of temporary migrants who leave NZ	Provide a 'carve out' or similar modification to these requirements should be created for default providers
Dormant or 'ghost' accounts	Funds in accounts that are no longer used and are unclaimed	Continue to be held by providers or transferred to a centralised account	Enable providers to transfer unclaimed funds to a new account held by Treasury

Based on the analysis above, we propose that eligibility for KiwiSaver should be extended to all temporary visa holders, with a continuation of the opt-out method of enrolment and the ability to withdraw KiwiSaver funds in the event the migrant permanently leaves Aotearoa New Zealand.

RECOMMENDATION

Extend KiwiSaver eligibility to temporary visa holders.

WĀHANGA TUATORU
TE HUNGA TĀOKI O NĀIANEI

PART THREE
CURRENT RETIREES

There is a dominant narrative that says the current generation of retirees are all doing well. They own their homes outright, are living longer in retirement, and enjoying their later lives.

This is certainly true for some – but not for all.

Increasing numbers of older people are struggling financially, even if they do own their home, and more seniors are renting than ever before.

There is also a significant difference in home ownership rates by ethnicity, with much lower rates for Māori and Pacific People, who also have much shorter life expectancy than Pākehā.

This section of the report provides a summary of our four research projects: 'What does retirement look like for Māori?', 'What does retirement look like for Pacific People?' and 'What does retirement look like for women?'. It then describes what else we have discussed about retirement from our research.

It also outlines the policy considerations for the decumulation of retirement savings.

Tikanga whakahaere 2 | Te pānga o te kaupapahere kāwanatanga i runga i ngā putanga penapena ahungarua me ngā wheako o te Māori hei hoa Tiriti, o ngā iwi o Te Moana-nui-a-Kiwa, me ngā wāhine.

Term of reference 2 | The impact of government policy on the retirement savings outcomes and experiences of Māori as Treaty partners, and of Pacific Peoples and women.

HE AHA TE ĀHUA O TE AHUNGARUA MŌ TE MĀORI?

WHAT DOES RETIREMENT LOOK LIKE FOR MĀORI?

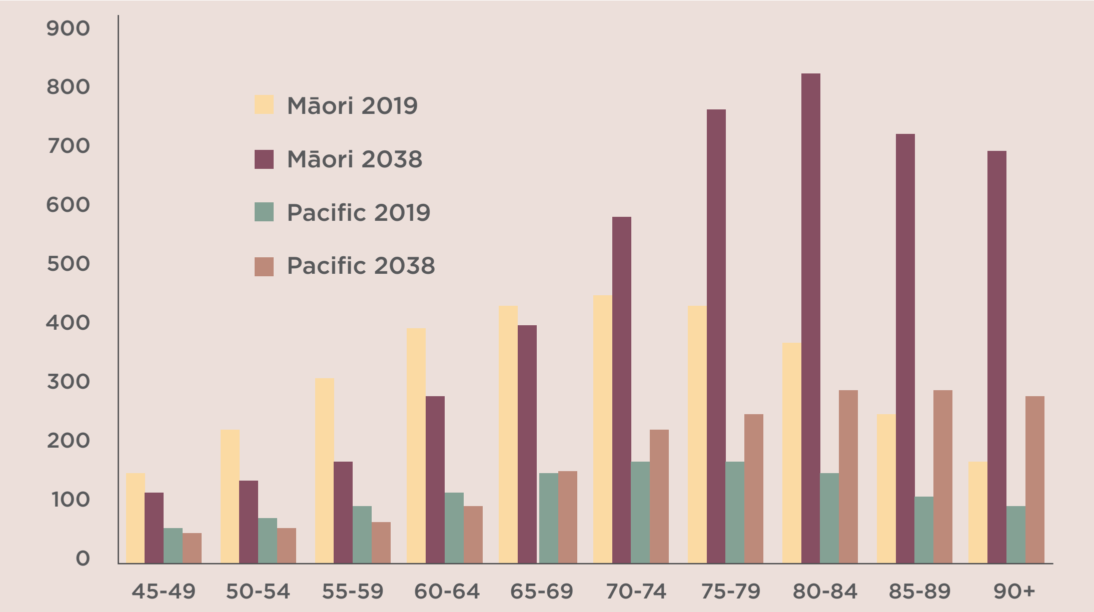
Māori represent approximately 17% of the population of Aotearoa[51] and kaumātua represent 6% of the Māori population.[52] This figure for Māori over 65 is forecast to grow to one in nine of all over 65s by 2043.[53] Nearly a quarter (23.4%) of the total New Zealand Māori ethnic population live in Auckland, followed by 14.1% in Waikato, and 11.6% in the Bay of Plenty.[54]

The process of colonisation that included the dispossession of their land also led to the health and wellbeing inequities between Māori and non-Māori that mean Māori have a significantly shorter life expectancy than non-Māori.[55] **Life expectancy at birth** is 73.4 years for Māori males and 77.1 for wāhine Māori. In comparison, non-Māori males are expected to live, on average, to 80.9 years, while non-Māori females are expected to live to 84.4 years.[56] **Life expectancy at age 65** is 15.4 years for Māori men and 17.5 years for wāhine Māori. This compares to 19.6 and 21.9 for non- Māori.

Māori survival drops significantly for both tāne and wāhine between the ages of 50 and 65, with the death rate for Māori men being x2.3 of non-Māori, and x2.6 for wāhine Māori. The impact of both these factors is that Māori men and wāhine Māori receive NZ Super for fewer years, on average, than their non- Māori counterparts.[57] However, the life expectancy for Māori (and Pacific Peoples) is expected to increase, as shown in the graph below.

51 Māori population estimates: At 30 June 2021 | Stats NZ
52 National ethnic population projections: 2018(base)–2043 | Stats NZ
53 ToR-2-What-does-retirement-look-like-for-Maori-Demography-Part-3-of-4.pdf
54 Māori in Tāmaki Makaurau. 2018 census results (knowledgeauckland.org.nz)
55 ToR-2-What-does-retirement-look-like-for-Maori-Decolonialising-public-policy-Part-1-of-4.pdf
56 Growth in life expectancy slows | Stats NZ
57 ToR-2-What-does-retirement-look-like-for-Maori-Demography-Part-3-of-4.pdf

Estimated number of Māori and Pacific deaths in 2019 and 2038 in New Zealand



Source: NZ Society of Actuaries RIIG (2019). Longevity in New Zealand: Implications for Retirement Income Policy

Research undertaken for this RRIP suggests that there is **no concept of 'retirement' for Māori**. The James Henare Research Centre at the University of Auckland held wānanga with kaumātua affiliated to Waikato-Tainui and Ngātiwai. Kaumātua shared their experiences of being busier than ever in later life and asking whether they really retire as kaumātua. They provide care, tend gardens, and prepare and cook meals for whānau. They also teach te reo me ōna tikanga Māori (Māori language and customs) and the values handed to them from their tūpuna. Kaumātua also contribute significantly to their hapū and iwi, and work on and around the marae, attending events and representing whānau in marae and iwi affairs.[58]

In terms of **pre-retirement income**, on average, Māori earn less than non-Māori. This results in **lower net wealth** in retirement (outlined previously in different abilities to save). Kaumātua have made limited use of KiwiSaver[59] but younger generations of Māori are KiwiSaver members. Te Ara Ahunga Ora research shows that 82% of Māori report being in KiwiSaver, but also that Māori are over-represented amongst those KiwiSaver members who are not currently making contributions. However, this is related to their age, gender, and employment status, rather than their ethnicity.[60]

While Māori have lower net wealth in financial terms, this is not how 'wealth' is viewed from a te ao Māori worldview, where it is connection that is valued.

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58 Kāinga Noho – Kāinga Whenua Housing and Whenua: Kaumātua Voices (retirement.govt.nz)

59 Kāinga Noho – Kāinga Whenua Housing and Whenua: Kaumātua Voices (retirement.govt.nz)

60 TAAO-_NZ-financial-capability_KiwiSaver-non-contributors.pdf (retirement.govt.nz)

A collectivist Māori worldview of wealth

Māori kaumātua are heavily reliant on NZ Super as their **retirement income**. Only 47% of kaumātua report having enough or more than enough to meet every day needs compared to 72% of people aged over 65 of European ethnicity. Similarly, 6% of kaumātua report experiencing material hardship or severe material hardship, compared to 2% of older Europeans.[61]

In both the 'What retirement looks like for Māori?' series and research by the James Henare Research Centre, kaumātua observed that as Māori men die younger, they fund NZ Super through their taxes, but do not benefit from it – or not for as long. Some questioned whether the payment rate should be adjusted for Māori to better reflect the intergenerational responsibilities of kaumātua.[62]

As KiwiSaver is designed to fund retirement, and lower life expectancy for Māori means fewer years after the age of 65, participants in some research raised the question of **earlier access** for Māori.[63] Advocacy by a parent on behalf of her son, who has Down Syndrome, resulted in a change to the KiwiSaver rules for early withdrawal for people with life-shortening congenital conditions from 1 July 2020. This was later supported by a 2021 change that identified four conditions with guaranteed early access (Down Syndrome, cerebral palsy, Huntington's disease, and fetal alcohol spectrum disorder).

The question of whether different rates of longevity should also be criteria for earlier access to KiwiSaver (or even potentially NZ Super) remain open for consideration. Further work, by and for Māori, would be required before any recommendations could be made.

With NZ Super as largely their only income, Māori kaumātua interviewed for this research are careful with their **expenditure** and identify as being good with money because 'Māori…have had to be'. The general cost of living increases put them under financial pressure, like many others, but kaumātua are also supporting tamariki, funding care for mokopuna, meeting the cost of transport for marae and community activities (with little transport infrastructure outside the main population centres), and giving koha. In other research we have conducted, 36% of Māori reported giving more money to others than they can afford, compared to 16% of non- Māori.[64]

61 Key-Area-1.-Achieving-financial-security-and-economic-participation.pdf (officeforseniors.govt.nz)

62 Kāinga Noho – Kāinga Whenua Housing and Whenua: Kaumātua Voices (retirement.govt.nz)

63 ToR-2-What-does-retirement-look-like-for-Maori-What-the-people-said-Part-4-of-4.pdf

64 TAAO-_NZ-financial-capability_maori.pdf (retirement.govt.nz)

Council rates were also identified as expensive, sometimes due to beach property developments in the area by non-Māori, or because of land classification by council. The cost of rates has the added frustration that in many cases the only service provided by council was rubbish collection (no water, street lighting, sewerage, footpaths, or playgrounds). In addition, for Māori, the financial 'value' of the land is unlikely to be realised through its sale.

The historical loss of **land** after the colonisation of Aotearoa remains painful for kaumātua and, in research conducted for this RRIP, they expressed concern about losing more, either through the sale of land by Māori to Pākehā, or acquisition by the Department of Conservation (something they sought to avoid by maintaining continuous occupation of the land). Land provides continuity, identity, and belonging for kaumātua and their whānau. A house is not an economic asset that can be sold, rather the whare and land provide a point of cultural reference, and a place for mokopuna to 'plant their feet'. Where kaumātua live is motivated by whakapapa, marae, and whānau.[65]

Māori kaumātua often live intergenerationally but not necessarily in papakāinga (a **housing** development established on ancestral land by an iwi, hapū or whānau for its members). Papakāinga provides the opportunity to live adjacent to, rather than directly with, whānau and was frequently cited as an ideal living arrangement by kaumātua interviewed for this RRIP. However, kaumātua identified barriers to creating papakāinga, including the building cost itself and accessing finance from banks. The cost was noted as particularly painful because it was to facilitate the return of Māori living on land that used to be theirs.[66]

Te Ara Ahunga Ora conducted and commissioned a series of four research projects to further illustrate what retirement looks like for Māori.

The first paper was written by Dr Kathie Irwin.[67] It takes a kaupapa Māori approach to find out what retirement looks like for Māori and explores the role of the state in creating structural

65 Kāinga Noho – Kāinga Whenua Housing and Whenua: Kaumātua Voices (retirement.govt.nz)

66 Kāinga Noho – Kāinga Whenua Housing and Whenua: Kaumātua Voices (retirement.govt.nz)

67 ToR-2-What-does-retirement-look-like-for-Maori-Decolonialising-public-policy-Part-1-of-4.pdf

inequity and to examine its impact on the journey to retirement. The paper suggests that decolonising public policy is necessary to improve outcomes for Māori, through an understanding of Te Tiriti and kaupapa Māori. Further, it proposes that the financial status of Māori should be understood in the context of structural, historical, and political factors that have played a role in dispossessing whanau, hapū, and iwi of their resource base, their identity, and the means to create intergenerational wealth on Māori terms and in Māori ways. The paper concludes by noting that, while 91 iwi have now settled with the Crown, those settlements were political. The amounts returned were a fraction of the value that was confiscated and the settlements did not occur at the level at which the confiscations occurred. Whānau were the kaitiaki (guardians) of the land but the Crown settled at the level of iwi. The pain of the loss continues as intergenerational trauma.

The second paper was written by Dr Margaret Kempton and funded by the Ministry of Health.[68] It presents a literature review of relevant research that illustrates what retirement looks like for Māori while acknowledging that Māori are a diverse and changing population. Referencing more than 100 sources the paper notes that Māori who live beyond age 65 often have a life shaped by culturally specific values, lifestyles, and expectations. This resilient and valuable culture enhances wellbeing and strengthens whānau and community. The mahi aroha undertaken by kaumātua provides guidance and leadership, often involves care of mokopuna, and is returned through the reciprocal nature of Māori culture through home care for older Māori.

The paper also notes the negative impact of colonialism and racism on the health and wellbeing of Māori compared to non-Māori, both in terms of life expectancy and the early onset of age-related illness, as well as lower wealth and higher levels of poverty. The impact of colonialism and the accompanying dispossession of land, as well as a lifetime of work in low wage occupations, were noted as factors in the low levels of Māori home ownership. The fundamental importance of the concept of home, of whenua, was identified as underpinning the ability to support whānau, connect with whakapapa, engage in kotahitanga, and provide maanaki to whanau and friends.

The third paper was written by Len Cook, the New Zealand Statistician from 1992-2000, and National Statistician of the UK from 2000-2005.[69] Cook outlined how Māori are once again becoming a larger share of the population, and will contribute disproportionately to growth in the workforce, over the coming decades. He noted that a significant share of Māori die between the ages of 50 and 65 and that those that reach the age of 65 die earlier than non-Māori in the following years. Cook suggests that these differences have not been considered in retirement income policy.

The fourth paper was written by Dr Kathie Irwin and Erin Thompson.[70] It brings the voice and views of Māori to the series of papers through a simple survey of kaumātua. The kaumātua reflected on the situation where they 'live in poverty as rangatira in our own whenua', and do not plan for their retirement, due to their high mortality rates between ages 30-50 and lower life expectancy. This is despite kaumātua being a vital part of the community, valued and respected as pillars of support and repositories of mātauranga, and an integral link between the past and present.

There was a clear message of 'By Māori, for Māori' so that safe spaces can be created for kaumātua and whānau with design pathways based on tirohanga Māori and tikanga Māori. These are evident in the suggestions the paper contains for the Retirement Commissioner, which include establishing an Advisory Group (or rōpū) to consider the retirement income system for Māori, a Māori Future Planning Forum to identify opportunities that address equitable access for Māori in retirement, and Māori development in both financial capability and resilience and for papakāinga. Lower ages of eligibility for Māori to both KiwiSaver and NZ Super were also proposed.

68 ToR-2-What-does-retirement-look-like-for-Maori-Literature-Review-Part-2-of-4.pdf

69 ToR-2-What-does-retirement-look-like-for-Maori-Demography-Part-3-of-4.pdf

70 ToR-2-What-does-retirement-look-like-for-Maori-What-the-people-said-Part-4-of-4.pdf

The inequity in retirement outcomes between Māori and non-Māori reflects the impact of colonisation on tangata whenua. Differences in life expectancy and earnings are apparent but are beyond the scope of retirement income policies. Other areas of the Crown are already responding to these inequities, with the establishment of Te Aka Whai Ora - Māori Health Authority as one example.

In order to provide a 'By Māori, for Māori' review of the overall retirement income system, we will not make a series of recommendations to change individual policies in this report. Instead, an advisory rōpū of Māori leaders and other specialists should be convened to consider this important issue. Te Ara Ahunga Ora will provide the secretariat function and appointments could be made by the Minister for Māori Development. This should occur as soon as possible.

RECOMMENDATIONS to improve retirement outcomes for Māori:

Te Ara Ahunga Ora should establish an advisory rōpū to consider retirement income policy changes that would better support Māori in later life and lead the development of policy options to present to government.

Government to maintain NZ Super at current settings (universal, indexed, age of eligibility).

Financial services industry should consider how to better enable collective models of borrowing and ownership.

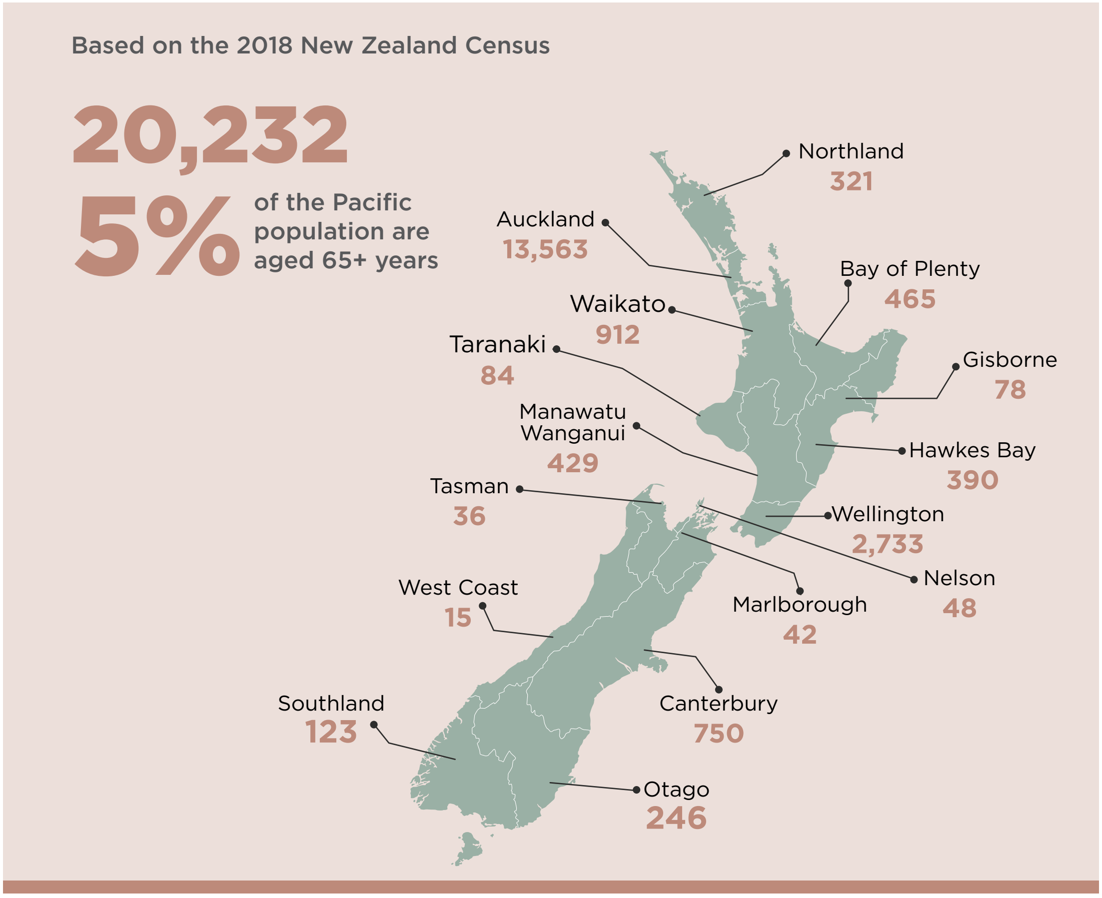
The Government should consider ways to stimulate the supply of affordable and accessible larger properties for multigenerational living and for whanau with disabilities.

Te Ara Ahunga Ora should undertake research to consider whether rebates from council rates are set appropriately.

HE AHA TE ĀHUA O TE AHUNGARUA MŌ NGĀ IWI O TE MOANA-NUI-A-KIWA?

WHAT DOES RETIREMENT LOOK LIKE FOR PACIFIC PEOPLES?

Pacific matua aged over 65 represent 5% of the Pacific population of Aotearoa, consisting of around 20,000 people, who live mainly in the Auckland area and the North Island. Two thirds of matua live in Auckland, 13.5% live in Wellington, and just over 6% of matua live throughout the South Island.[71]



Research undertaken for this Review suggests that 'retirement' **is not a word that resonates with Pacific People**. The Ministry for Pacific People held talanoa with Pacific households from each of the nine Pacific ethnicities (Cook Islands, Fiji, Niue, Rotuma, Samoa, Tokelau, Kiribati, Tonga, Tuvalu) and asked them about retirement.

It is clear that Pacific matua are very busy people. Matua play a significant role within their families, often being seen as their 'anchor', to whom they provide cultural and emotional sustenance. They build and maintain connection between generations and pass on values to their grandchildren. Matua also play a significant role in the community, including at church, and act as counsellors, cultural experts, and leaders.

Some participants talked about a time to rest and relax, especially from paid work, 'A'u'ua 'e Garue' (to rest from work in Rotumann), or 'Mālōlō sa'oloto' (to rest free in Samoan). However,

71 ToR-2-and-9-Housing-and-Retirement-MPP-report.pdf

there were strong sense of simply moving from paid to unpaid work, supporting people and the community by volunteering or through caring for grandchildren.

In terms of **pre-retirement income**, on average, Pacific people earn less than other ethnicities. This results in **lower net wealth** in retirement.

While Pacific Peoples have lower net wealth in financial terms, this is not how 'wealth' is viewed from the collectivist perspectives shared by many Pacific Peoples, where it is family that is wealth.

A collectivist Pacific worldview of wealth

Research for this Review indicates around 56% of Pacific people contribute to KiwiSaver but those earning less than $50,000 were less likely to contribute. KiwiSaver was viewed by 11% of people as a way to improve their housing situation in retirement.[72]

Retirement income for many Pacific matua is NZ Super, however, they represent only 3% of superannuitants due to lower life expectancy.[73]

Pacific people face different types of **expenditure** that has to be funded despite lower incomes. Remittances are seen as part and parcel of life. Research participants described sending support (such as money, food packages, and medical supplies) to family members in their homelands as something that begins in pre-retirement and continues into retirement. While remittances are seen as a cultural obligation, along with giving to church, some matua reflected that this impacts their ability to save. Similarly, Pacific matua want to continue with fa'alavelave,[74] but this presents challenges on lower incomes. However, there seems to be an automatic progression for the children to take over the daily expenses of the household, following the retirement of their parents.

In terms of **housing,** Pacific Peoples are less likely to own their own home than other ethnic groups and are more likely to rent or live in social housing. Figures from 2018 show Pacific home ownership at 21% compared to 58% for European, 40% for Asian, and 31% for Māori. Pacific peoples are 27% of public housing tenants and 64% of renters in Aotearoa New Zealand.[75]

72 ToR-9-Housing-prefs-Pacific-people-TAAO-MPP.pdf (retirement.govt.nz)

73 Benefit Fact Sheets - Ministry of Social Development (msd.govt.nz)

74 The practice of contributing money to large occasions such as funerals, weddings, and significant birthdays

75 Housing in Aotearoa: 2020 | Stats NZ

In other research undertaken by MPP for this RRIP, Pacific matua explained that owning their own homes was a retirement plan, both to secure a connection with the whenua Aotearoa and for equity for generational wealth. It was expressed as their preferred form of saving. However, some matua preferred to rent, believing it provides them with tau'ātaina (the freedom to opt out) and to instead invest in children's education, fa'alavelave, and remittances.[76]

Pacific matua expressed a preference for housing that meets their needs and aspirations, in line with the idea of a Pacific village where family members live close to one another, extended family members may stay for periods of time, and large family gatherings and meetings are held. Pacific families often work together to facilitate home ownership, with 3-4 generations in one household, and more financial contributors than in a nuclear family. Therefore, Pacific people seek larger homes, but a shortage of this type of stock often results in overcrowding. Over a quarter of matua aged 70 or over live in a crowded home compared to 2.7% of that age group in the total population. Research participants described using equity in one home to buy other properties, and building capital to enlarge their family home, so there were more bedrooms and bathrooms. It was proposed that support to extend existing houses would be a more cost-effective way to provide more space than building new dwellings.[77]

76 ToR-2-and-9-Housing-and-Retirement-MPP-report.pdf
77 ToR-2-and-9-Housing-and-Retirement-MPP-report.pdf

RECOMMENDATIONS to improve retirement outcomes for Pacific people:

Maintain NZ Super at current settings (universal, indexed, age of eligibility).

Continue and expand Ministry for Pacific People's Pacific Financial Capability programmes to support Pacific people to save, prepare for home ownership, and plan for retirement.

Financial services industry should consider how to better enable collective models of borrowing and ownership.

The Government should consider ways to stimulate the supply of affordable and accessible properties with more bedrooms and bathrooms to facilitate multigenerational living.

HE AHA TE ĀHUA O TE AHUNGARUA MŌ TE WAHINE?

WHAT DOES RETIREMENT LOOK LIKE FOR WOMEN?

There are slightly more women than men in the overall population in Aotearoa New Zealand, at 50.4% female and 49.6% male, and significantly more women in the over 65 age group, at 53.2% female and 46.8% male.[78] Life expectancy at age 65, on average, is 21.6 years for women and 19.3 years for men.

In terms of **pre-retirement income**, on average, women earn less than men. The overall gender pay gap is 9.2% but it varies by age, disability, and ethnicity. Women aged over 45 experience average gender pay gaps of between 12.1%, and 15% for those aged 60-64. People with disabilities experience a pay gap with those without disabilities, and the pay gap is higher for women with disabilities than for men with disabilities. Asian, Māori, and Pacific women earn less than Pākehā women (and Asian, Māori, and Pākehā men).[79]

Women spend fewer hours in paid work than men, on average, and more hours in unpaid work. Nearly one in three of all women working in the paid workforce work part-time (less than 30 hours per week). While 88% of women without dependent children in paid work are full-time, this is the only the case for 68% of partnered mothers, and 69% of female sole parents. Women spend approximately four hours and 20 minutes a day on unpaid work, while men spent two hours and 32 minutes a day, according to time use survey data.[80]

This results in **lower net wealth** for women than for men in retirement. Going into retirement, men have higher balances than women, on average, but wealth may be shared between men and women in a household (and will be considered relationship property that must be divided between the parties should the relationship end).

78 Stats NZ December 2021 Population Estimates
79 TAAO-_What-does-retirement-look-like-for-women_2022.pdf
80 TAAO-_What-does-retirement-look-like-for-women_2022.pdf

There are more significant differences, on average, between women of different ethnicities than between men and women. Figures from 2018 for those aged 45–54 show the individual median net worth of wāhine Māori at $107,000 and Pacific women at $29,000 compared to $216,000 across all women compared to $239,000 across all men.[81]

Women also have **lower KiwiSaver balances** than men, on average, across all age groups under age 81.[82]

Average balance ($)				
Age	**Total**	**Female**	**Male**	**Male / Female**
17 and under	2,677	2,638	2,681	102%
18-25	7,971	7,586	8,804	116%
26-30	16,088	15,256	17,646	116%
31-35	20,269	19,141	22,738	119%
36-40	26,138	24,335	29,805	122%
41-45	33,331	30,072	38,715	129%
46-50	40,335	35,902	47,422	132%
51-55	45,212	40,023	53,420	133%
56-60	49,206	43,798	57,518	131%
61-65	53,579	48,457	61,606	127%
66-70	60,773	57,687	66,753	116%
71-75	64,529	61,363	70,358	115%
76-80	66,881	64,579	71,801	111%
81-85	213,928	212,261	216,979	102%
86 and over	228,903	259,586	190,636	73%
Unknown age	14,395	13,163	19,516	148%
All ages	29,022	27,061	32,553	120%

There are a number of reasons why women have lower KiwiSaver balances than men, on average, including the gender pay gap (and for some, the ethnic and dis/able pay gaps), contribution rates, and time out of paid work. The main reasons for not contributing to KiwiSaver are parenting (23%) or being unemployed for another reason (34%) but when all else is held equal, women are more likely to be a KiwiSaver member than men, and women are no more or less likely to be a KiwiSaver non-contributor.[83]

Women have also been thought to be more risk averse than men, holding more low-risk assets and less high-risk assets, but this may have been due to differences in opportunity sets rather than risk. Recent analysis of KiwiSaver balances suggests that investment depends on the size of KiwiSaver balance, with both men and women tending to invest in lower risk/lower return funds if they have small balances and tending to invest in growth assets if they have larger balances.[84]

Women may be disadvantaged in retirement if they do not benefit from suitable financial products and services and would benefit from financial education designed specifically for their needs and from understanding their personal risk profile. As women live longer, and spend longer living alone in retirement, they need to consider their ability to take risks to manage this longevity. Providers of financial services have a role to play in ensuring women receive tailored and bias-free advice.

81 Ministry for Women (2022) Older Women Key Groups Infographic - Older Women.pdf

82 KiwiSaver Demographic Study (retirement.govt.nz)

83 TAAO-_NZ-financial-capability_KiwiSaver-non-contributors.pdf (retirement.govt.nz)

84 TAAO-_What-does-retirement-look-like-for-women_2022.pdf

Retirement income is lower for women than men, on average, with almost 50% of women aged 65-69 receiving less than $30,000 p.a. These women are wholly reliant on NZ Super as compared to just a third of men. For women aged 70+, the situation is the same, with 56% of women receiving less than $30,000 compared to 46% of men and twice as many men than women have incomes of over $70,000.[85]

Housing data are at the household level, rather than the individual level, which makes it difficult to consider gender differences in housing tenure or costs. One of the key determinants of material wellbeing in retirement is home ownership and this is considered elsewhere in this RRIP. However, single older women renting in the private market have been identified as a particularly at-risk group who seek security of tenure in housing that is affordable and suited to their needs.

Women experience a **gender pensions gap** that makes NZ Super an essential element of the retirement income system. The gender pensions gap reflects the gender pay gap, and for some women the ethnic and dis/able pay gaps, compounded by financial advice that may not be tailored to their needs due to gender bias, periods out of the labour force for childcare, and part-time work that reflects the unequal division of unpaid work between men and women. The government, employers, and the financial services industry all have a role to play in addressing the gap.

RECOMMENDATIONS to improve retirement outcomes for women:

Maintain NZ Super at current settings (universal, indexed, age of eligibility).

Employers could maintain their employer contributions to their employee's KiwiSaver during periods of parental leave (or other carer leave).

Employers could support staff, where financially able, to make voluntary contributions into their partner's KiwiSaver during any periods of leave, to qualify for the government contribution.

Employers are encouraged to address their gender and ethnic pay gaps and occupational gender segregation.

Remove the minimum contribution requirement for people on paid parental leave so they continue to receive the government contribution to their KiwiSaver account.

Financial services industry should provide bias-free and targeted advice to women.

HE AHA ATU NGĀ MŌHIOTANGA MŌ NGĀ WHEAKO I TE AHUNGARUA I TE WĀ NEI?

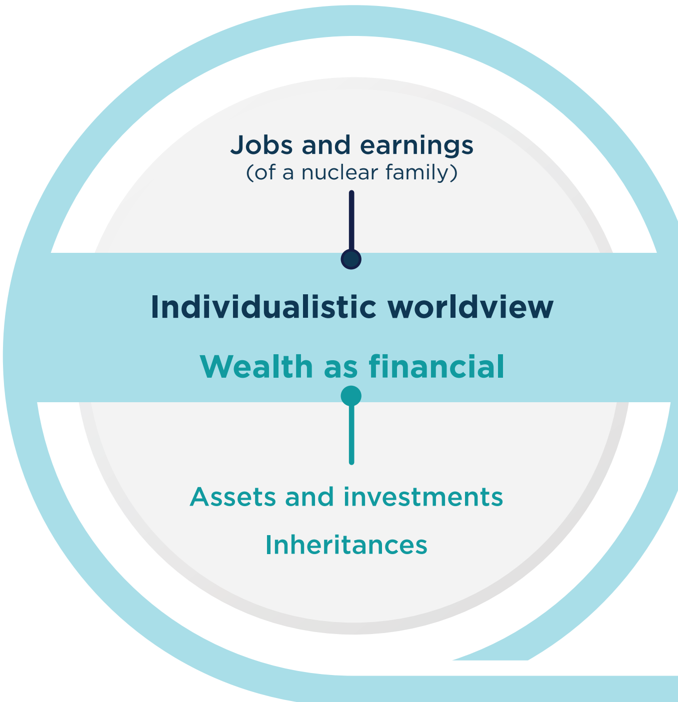
WHAT ELSE DO WE KNOW ABOUT EXPERIENCES IN RETIREMENT NOW?

TE REO O NGĀ PĀKEKE OLDER PEOPLE'S VOICES

Other research was conducted by Te Ara Ahunga Ora this year to hear the voices of older people.[86] A series of focus groups were held across the country and participants shared their experience of retirement as well as their financial behaviours and retirement planning.

The research provided an insight into a worldview where wealth is predominantly seen as financial. Unlike the research on the experiences of Māori kaumātua and Pacific matua, the largely Pākehā participants described wealth in financial terms. Some had benefited from the receipt of inheritances. This alternative worldview is classified as individualistic, as it focuses on the nuclear family, rather than an extended concept of family.

An individualist worldview of wealth



Most participants experienced life-shocks or financial drains at some stage in mid-life, and those who experienced a number of these shocks or drains, or whose experiences were more severe, now found themselves with lower financial wellbeing in their later life. A number of the female (only) participants noted time spent out of paid work looking after their spouse or parents as well as raising children. Since 2020, the pandemic, the war in Ukraine, and now inflation, have further impacted people and their savings.

Generally speaking, the impacts are currently reflected in ***quality* of living** (the ability to enjoy some small luxuries) but a portion are experiencing a negative impact on their ***standard* of living**

86 TAAO-Older-Peoples-Voices-Research.pdf (retirement.govt.nz)

(the ability to meet one's needs). Some people don't have the financial resources to begin with, even before a life shock hit, and several participants indicated they were now going without medical, food, transport, and power (although it is not known whether they are accessing all financial assistance available). NZ Super is essential for these people. Some participants who had undertaken financial planning and had financial resources were 'buffered' from the financial impacts of these shocks or drains.

This research highlighted each of the three stories of retirements. Some participants were living in homes they owned outright and experiencing a comfortable retirement. Others were struggling financially due to cost of living pressures on a limited income, and others struggled due to high housing costs. Property and investments are particularly important for providing a sense of security, comfort, and choice. For homeowners with investments and other property, the recent volatility appears to have had minimal impact, whereas renters expressed some apprehension because they didn't have equity in their home to buffer life shocks or financial drains.

The interaction of financial attitudes, life shocks, and the retirement income system for retirees

LIFE AT 55

Live day-day

Financial instability, apprehension, less likely to own their home, may have fewer financial resources to begin with:

Foreboding future

Live for today

Some financial freedom but unengaged with planning, 'spenders not savers', likely to be home owners

'She'll be right'

Live for tomorrow

Savers, stable, financially independent & engaged, likely to be home owners

Cautious optimism about the future

Life Shocks & Financial Drains

- Redundancy
- Health issues (self or others)
- Relationship issues / divorce
- Building problems / earthquake (Chch)
- Children: first home / education
- Poor financial advice/ decisions
- Caregiving duties (parents, partner, children): mainly women
- Issues with debt
- Low returns on investments
- High rents, large mortgages

Living in 2020-2022

- Pandemic
- War
- Cost-of-living crisis
- Inflation
- Market volatility
- Health sector issues

NZ SUPER

Buffered by:

- Additional government allowances

Buffered by:

- Home ownership
- KiwiSaver
- Savings
- Investments
- Property
- inheritances

LIFE AFTER 65

Distressed

Hand-to-mouth, standard of living has been impacted negatively (e.g. doing without the essentials of heat, food or health, social isolation), have to work if possible, need advice to ensure they can access all assistance they are entitled to.

Exposed

Eroding nest eggs, concerned about outliving funds, quality of living has been impacted negatively (socialising, hobbies, travel).

Depending on income may need to work.

On Track

Comfortable, freedom to spend and live as they wish, financial growth, may work by choice, little impact on quality of life.

WIDENING GAP OF HAVE'S AND HAVE NOT'S

Generally speaking, the impacts are currently reflected in ***quality* of living** (the ability to enjoy some small luxuries) but a portion are experiencing a negative impact on their ***standard* of living** (the ability to meet one's needs).

THE POWER OF NZ SUPER

The Older People's Voices research highlighted a key truth – the power of NZ Super. It is crucial to the individuals who receive it and is an important part of the social contract the state has with its citizens.

One participant in the Older People's Voices research remarked "I'd probably be living on the streets without it." This highlights the role NZ Super plays as the foundation of our retirement income system – it is relied upon by 40% of retirees and a further 20% only have a little more.

The 2007 Review of Retirement Income Policies provided a thorough analysis of NZ Super at the point at which KiwiSaver was introduced. As we have seen, KiwiSaver plays a supporting role in the retirement income system, providing some additional retirement savings that can either supplement income (made easier if the relevant recommendations included in this RRIP were adopted by the financial services industry) or provide a 'nest egg' for emergencies.

What KiwiSaver does not do - and can never be expected to do - is to provide an income to sustain people through their retirement years. That is the role of NZ Super. It is not the role of KiwiSaver because KiwiSaver is implicitly linked to the labour market, meaning that a significant proportion of our society (women, Māori, Pacific People, people of colour, people with disabilities), who are paid less and who work fewer hours of paid work over their life course, will almost never be in a position to self-fund their retirement.

The 2007 Review of Retirement Income Policies noted a number of features of NZ Super that were important then and remain so now:

- It is virtually universal, received by over 90% of people aged 65 and over, who are usually resident in NZ
- The benefit level is above the hardship level and, because it is kept within a band defined by a percentage of the average wage, NZ Super broadly keeps the basic income of older people rising in line with the incomes of working age people
- It gives older people a regular basic income regardless of how long they live, so is a protection against longevity risk, especially important for women
- It does not have a contributory criterion for eligibility, which means it provides independent retirement incomes regardless of recipients' gender, marital status, or income history
- It does not discourage saving because it is not means-tested
- It does not discourage employment at older ages because there is no requirement to cease paid work
- It is simple to explain and run
- It operates at a low administrative cost
- Its long-term sustainability is helped by the NZ Super Fund (made easier if governments continue to follow the formula in the New Zealand Superannuation and Retirement Income Act 2001 that defines how capital contributions to, and in later years withdrawals from, the NZ Super Fund are to be calculated each year).

A final consideration regarding NZ Super is the different rates at which it is paid based on relationship status. Payment varies depending on whether a person is single and living alone, single and not living alone, or married (or in a civil union or a de facto relationship) and is calculated with respect to average wages. For couples the rate is 66% of average wages, for a single person living alone it is 65% of the married rate, and it is 60% of the married rate for a single person not living alone (sharing).[87]

87 TAAO-RC-Policy-Paper-2021-03.pdf (retirement.govt.nz)

According to MSD, the policy reason behind single superannuitants receiving higher rates is to reflect the higher living costs and more limited resources of those who live alone. MSD says the distinction between the rates received by someone who is married (or in a civil union or in a de facto relationship) and someone sharing accommodation with a person who is not their partner, is on the basis that people in a relationship are likely to share more costs and resources than a single person in shared accommodation.

It would be worthwhile to undertake research to determine whether this is actually the case.

RECOMMENDATION

Te Ara Ahunga Ora should undertake research to consider whether the different NZ Super rates for single, couple, and sharing reflect genuine differences in expenses incurred.

Tikanga whakahaere 5 | Ngā whai whakaaro kaupapahere (tae atu ki te hoahoa me te wātea o ngā hua) mō te whakahoro pūtea penapena ahungarua mai i te KiwiSaver me ētahi atu kaupapa penapena ahungarua me ngā rawa, i muri i te ekenga ki te tau āheinga ki te Pūtea Penihana Kāwanatanga.

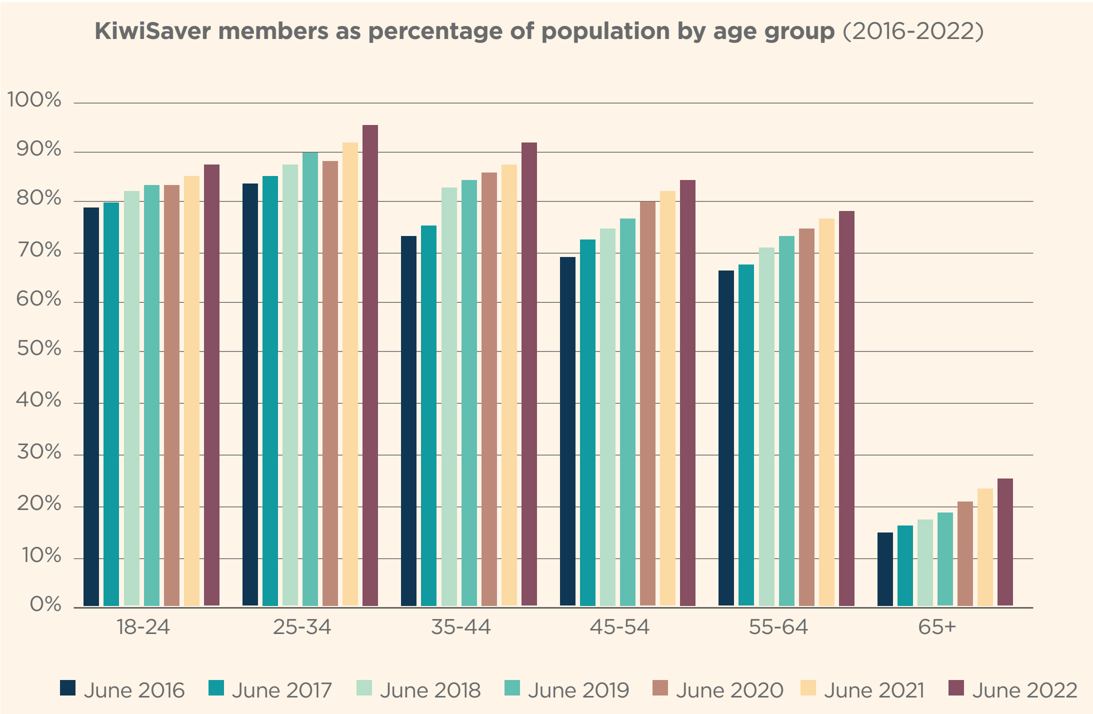
Term of reference 5 | Policy considerations (including design and product availability) for decumulation of retirement savings from KiwiSaver and other retirement savings schemes and assets after reaching the age of NZ Super eligibility.

Decumulation generally refers to the process of drawing down savings and investments that have been accumulated over the working life to provide income in retirement.

However, as discussed earlier in this RRIP, people's individual ability to save for their retirement varies in a number of ways, both systemic and individual.

KIWISAVER

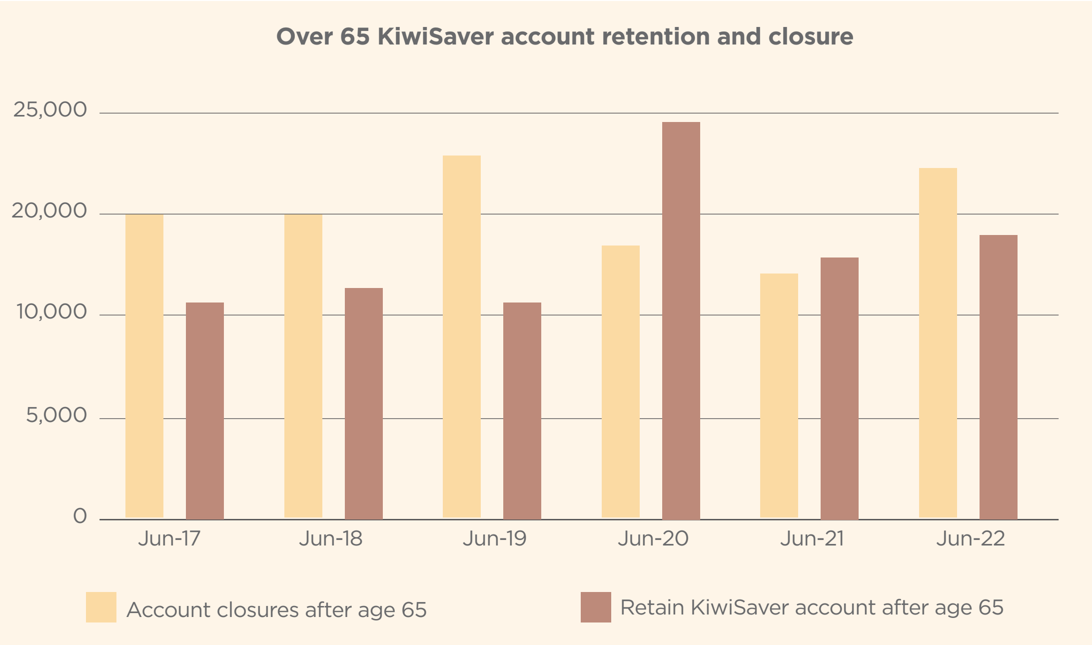
In the 15 years since its introduction, with more than three million members, KiwiSaver has become a popular way of saving for retirement. This has been assisted by its auto-enrol design (with voluntary opt-out) and various financial incentives (the initial $1,000 Kickstart that was discontinued in 2015, employer matching, and the government tax credit).



Source: Calculated from IRD KiwiSaver data and Stats NZ population estimates

There is no significant difference in KiwiSaver membership between the genders or between ethnic groups.[88] However, KiwiSaver balances do vary by gender and ethnicity, and naturally by age.[89]

Upon reaching age 65, a person may access their KiwiSaver balance without any restriction on how much can be accessed and without any tax consequences. However, many people retain their account,[90] either to continue their employee contributions if they are still in paid work or as an investment vehicle. There are over 200,000 people aged 65+ with KiwiSaver (almost a quarter of all those aged over 65).[91]



Recent data, which covers 93% of KiwiSavers, has shown that accounts are now held by people of all ages including people aged 86 or over.[92] These people will have benefited from the 2019 change that allowed people aged over 65 to open a KiwiSaver account.[93] On average, older KiwiSavers have larger balances than younger age cohorts, especially those aged over 80.

KiwiSaver was established to help people save or 'accumulate'. It is still a relatively new scheme so it may not be currently optimised to assist those who wish to drawdown or 'decumulate' their assets. People are retaining or opening accounts after age 65 and have increasingly complex financial decisions to make about how to fund their retirement. There is no regulatory restriction to KiwiSaver providers advising their customers on decumulation.

Guidance provided by the New Zealand Society of Actuaries suggests a 'rule of thumb' approach, using two 'buckets' of savings, one for emergencies that is invested in low-risk assets, and another to supply income over the longer-term, which is invested at medium risk.[94] These suggestions recognise the important role played by NZ Super by providing insurance against longevity risk.

Research commissioned for this Review has suggested ways that KiwiSaver providers and Te Ara Ahunga Ora could better support those aged over 65 to use KiwiSaver to supplement their retirement income.[95]

88 TAAO-_NZ-financial-capability_KiwiSaver-non-contributors.pdf (retirement.govt.nz)
89 KiwiSaver Demographic Study (retirement.govt.nz)
90 Datasets for KiwiSaver statistics (ird.govt.nz)
91 ToR-5-Decumulation-Policy-Insights-TAAO.pdf (retirement.govt.nz)
92 KiwiSaver Demographic Study (retirement.govt.nz)
93 ToR-5-Decumulation-Policy-Insights-TAAO.pdf (retirement.govt.nz)
94 How-to-make-drawdown-a-success-FINAL-Nov21.pdf (actuaries.org.nz)
95 ToR-5-Decumulation-Policy-Insights-TAAO.pdf (retirement.govt.nz)

RECOMMENDATIONS

Providers should use consistent terminology, and supply consistent information and guidance, to members regarding drawdown. This does not mean that all providers should have the same products and services – simply that all consumers should be similarly well informed by their providers.

KiwiSaver providers should recognise the post-65 use of KiwiSaver and ensure their products have been adapted for the decumulation (drawdown) phase, as well as in the accumulation phase. In particular withdrawal forms should include guidance regarding regular withdrawals, and the overall guidance customers receive from their provider should be clear.

Government should extend the existing requirement for default fund providers to provide timely information and guidance in the approach to retirement (at age 55, 64 and 65) to all KiwiSaver providers.

We support these proposals and encourage the financial services industry and government to implement them as part of the 'consistent content' goal of the National Strategy for Financial Capability.

Individuals would likely benefit from some additional tools to assist in their decision making.

RECOMMENDATIONS

Te Ara Ahunga Ora should create a way to compare the costs and services of managed drawdown products such as KiwiSaver and other managed funds.

Te Ara Ahunga Ora should create a 'drawdown calculator' that shows how to convert assets into income using the 'rule of thumb' approach. We will do this in 2023.

To assist government and other interested parties to understand how KiwiSaver is performing as a retirement savings scheme, disaggregated data is needed but is not currently collated. Te Ara Ahunga Ora engaged an actuary to undertake the analysis included above, and providers were very cooperative. We propose that such data (along with information on fund type) is released regularly in future. The FMA's KiwiSaver Annual Report would be an ideal place to report this information.

RECOMMENDATION

The government should require all KiwiSaver providers to report disaggregated data (age, gender, fund type) annually to FMA for publication.

PROPERTY

KiwiSaver (or other managed funds) is not the only form of retirement savings or assets. Property has long been the favoured investment of New Zealanders and it can also provide a rental income stream in retirement.

In the individualist worldview and nuclear family model, retirees might anticipate selling the family home to downsize into a more manageably sized property and have some sales proceeds left over to fund their retirement. However, research indicates that people are now finding it harder to downsize due to a lack of appropriate properties. It would be beneficial for older people if there were a greater number of suitable accommodation options, including smaller one or two bedroom modern and accessible properties, which would enable the release of larger family home stock, and reduce the maintenance needed and council rates that seniors must pay.[96]

RECOMMENDATION

Government to consider ways to stimulate the supply of affordable and accessible smaller one-two bedroom properties.

For those who need or wish to remain in their own home, equity release schemes may be helpful. Options include home reversion schemes that enable a person to remain living in their house until they die, after partially or completely selling the property, and receiving payment either up-front or as a stipend or annuity.

More common are reverse mortgages, where ownership is retained by the individual and they are provided with some form of interest-bearing loan. This can be a lump sum (the most expensive option, as interest is charged on this amount from when the loan is drawn down) or as a line of credit (a cheaper option as the loan balance increases over time). Owners or heirs are generally protected against any negative equity that may arise.

96 The submission from Grey Power raised concern about council rates and the rates rebate scheme

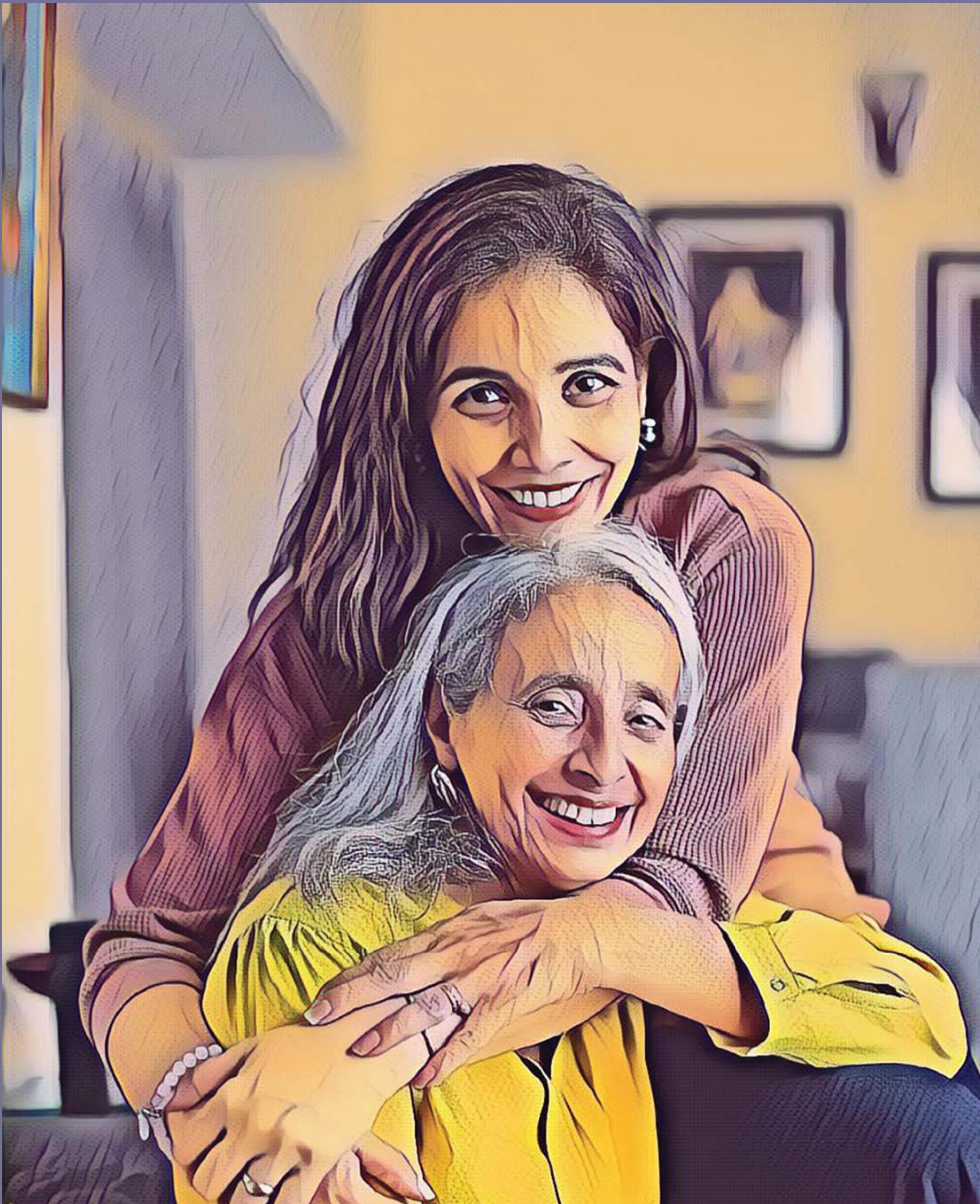
However, these options are limited in Aotearoa New Zealand, with no home reversion schemes in place and only two banks offering reverse mortgages. These products are complex and may not be well understood.

Research should be undertaken to understand whether these products provide value for money - the interest rates on reverse mortgages are higher than on other mortgages. While the products provide an obvious solution for those who find themselves 'asset rich but cash poor', they are often described as a product of last resort, which may deter people from using them. There is an information gap that it may be useful to fill so that retirees have good comparative information available as they consider asset decumulation.

RECOMMENDATIONS

Te Ara Ahunga Ora should undertake research to consider whether home equity release schemes provide value for money and how they might provide a suitable form of retirement income for some people.

Providers of home equity release schemes should provide clear explanations of the product and its pricing to address its current negative perception.



WĀHANGA TUAWHĀ
TE HUNGA TĀOKI ANAMATA

PART FOUR
FUTURE RETIREES

Future generations of retirees will look very different from our current retirees. They are much less likely to own their home, and if they do, they are less likely to have paid off their mortgage by the age of 65. There will be more older Māori and Pacific People experiencing later life and a more ethnically diverse population in general.

This section of the report considers the income adequacy of NZ Super for future retirees who are paying rent or paying mortgages.

Next it examines the impact on retirement income adequacy and retirement planning for New Zealanders who live abroad, of the increased period of residency required to be eligible for NZ Super.

It then explores what the next generation of retirees (those currently aged 45-64) say they want from housing in later life.

Finally, it considers how multigenerational living impacts the pre-retirement savings and retirement income of Māori and Pacific Peoples and provides an insight into some cohousing schemes.

Tikanga whakahaere 7 | Te hāngai ā-whiwhinga moni o te Pūtea Penihana Kāwanatanga mō te hunga tāoki anamata e rēti whare ana, kāore rānei ō rātou kāinga ake.

Term of reference 7 | Income adequacy of NZ Super for future retirees who are renting a home or do not own their own home outright.

The dominant narrative of retirees as people who own their own home outright is certainly not true for all. It has always been significantly more reflective of Pākehā than Māori or Pacific People.

- 66% of people aged over 65 own their home outright, but this is the case for only 47% of Māori kaumātua and just 27% of Pacific matua.
- 13% of people over 65 have a mortgage but include 18% of Māori kaumātua and 27% of Pacific matua.
- 20% of over 65s pay rent but this increases to 35% of Māori kaumātua, and 46% of Pacific matua.

This is important because there has been an implicit assumption underlying NZ Super that by the time people become eligible, at age 65, they will own their own home outright or be in secure and affordable public housing. This is not explicitly stated in legislation, but reflects the dominant narrative of retirement as experienced largely by Pākehā.

To precisely determine how adequately NZ Super will cover mortgage or rent payments in the future, a few key pieces of information are needed, such as the future rates of payment of NZ Super and future mortgage or rent payments. As these things are not known, we have instead considered how well NZ Super covers mortgage or rent payments now and looked back to determine any trends regarding those payment amounts. Analysis was undertaken by The Treasury using data from the Household Economic Survey [HES].[97]

The Treasury compared the different types of housing costs and found that mortgages were the highest costs incurred, then rent payments, then outright ownership costs (such as rates and insurance) and found that these were rising over time for 65-74 year olds. Housing costs for older people paying a mortgage or rent now represent significant proportions of NZ Super.

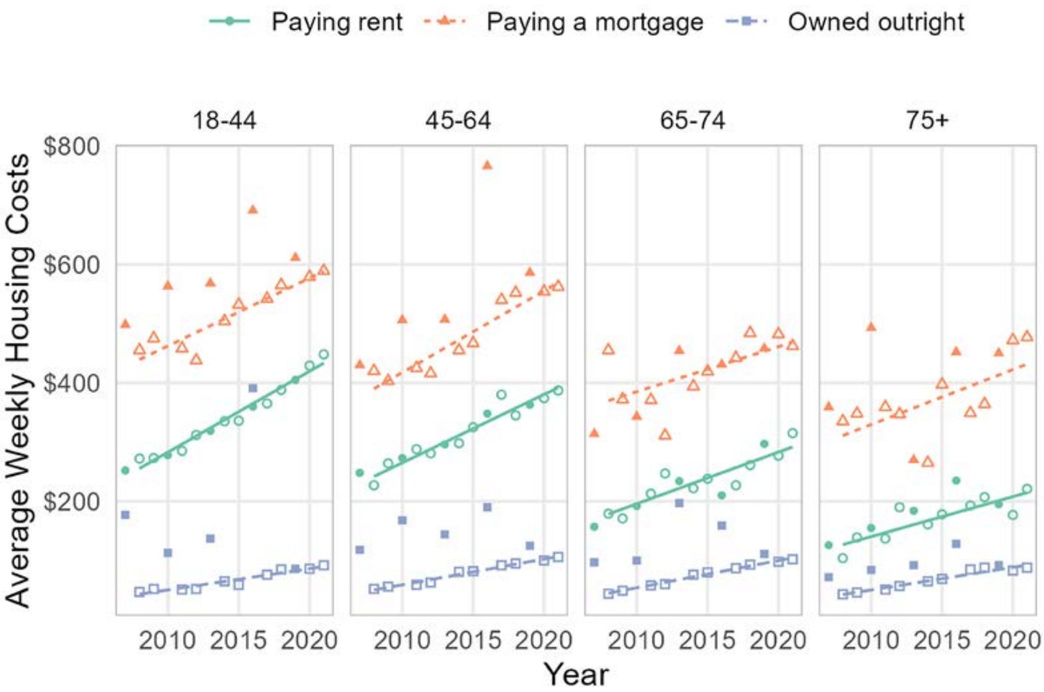
Of those people still paying off mortgages, 80% are spending the equivalent of more than 40% of NZ Super on housing costs, and more than half are spending the equivalent of more than 80%.

Of those people paying rent, two-thirds of those aged 65-74 are spending 40% or more of NZ Super on housing, as well as over a third of those aged over 75. However, significant numbers are paying more than 80% of NZ Super, 40% of those aged 65-74 and 16% of those aged over 75.

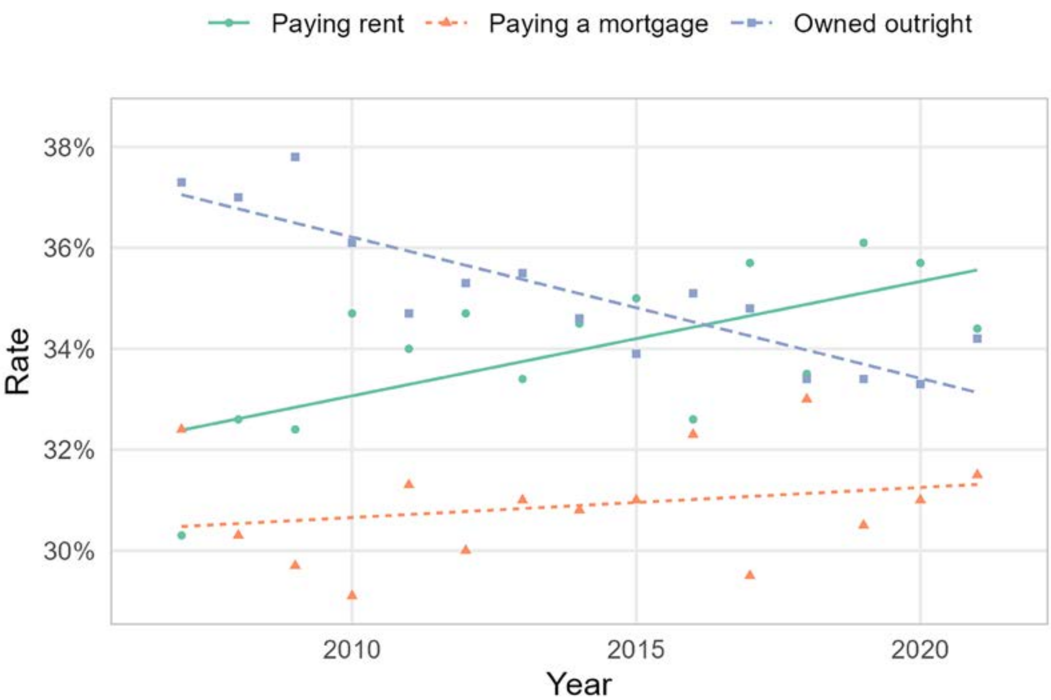
By contrast, those who own their homes outright face very different housing costs. Approximately 80% of outright homeowners spend less than 40% of NZ Super on housing costs and more than half spend less than 20% of NZ Super on housing costs (55% of those aged 65-74 and 70% of those aged 75+).

Looking back over time to see trends, The Treasury found that mortgage and rent costs had risen faster than outright ownership costs, with rents increasing at a higher rate than mortgage costs. The increase in housing costs, and the changing nature of housing tenure by age group, is shown below.

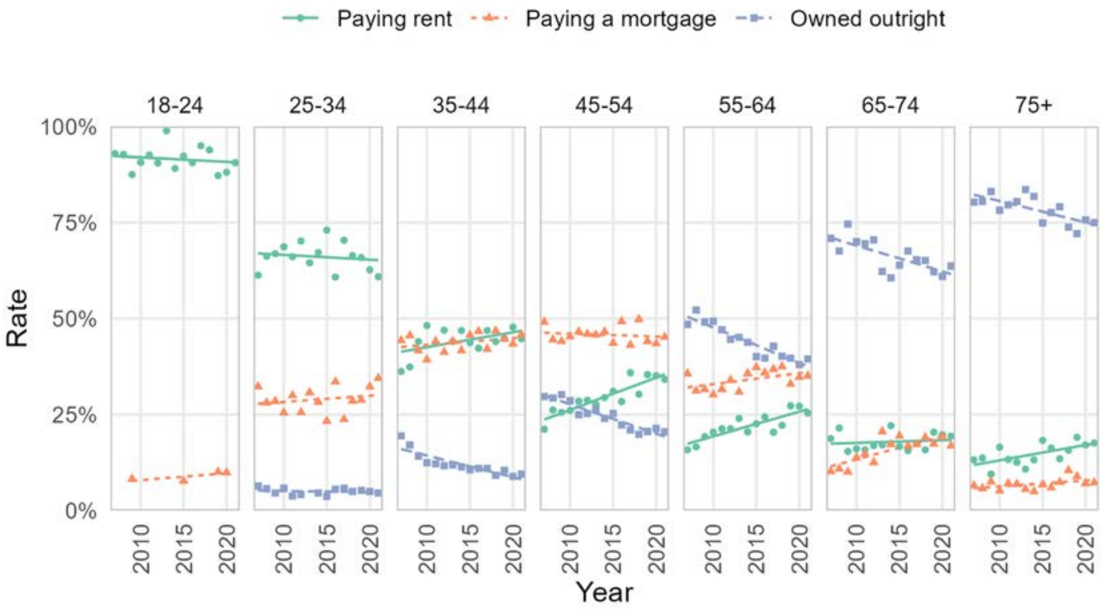
97 ToR7-report.pdf (retirement.govt.nz)



In considering the changing nature of housing tenure for the population as a whole (all ages), The Treasury found that outright ownership has been decreasing, and renting has been increasing, while owning with mortgage has been relatively flat.



The changes can also be displayed by age bracket. There are significant increases in those paying rent in the 45-54 and 55-64 age groups, when historically people would have paid off their mortgages, and a noticeable increase in paying rent amongst the over 75s.



Some of these changes reflect the ways in which people's life courses have changed. While previous generations married early and bought a home in which they might live, married to the same person, for their entire adult life, that is no longer the most common course of events. We now partner later, buy our first property later, holding it for an average of seven years,[98] but are also likely to separate and re-partner, and may not be in a position to buy again afterwards. We have heard such stories in the qualitative research we have undertaken.[99]

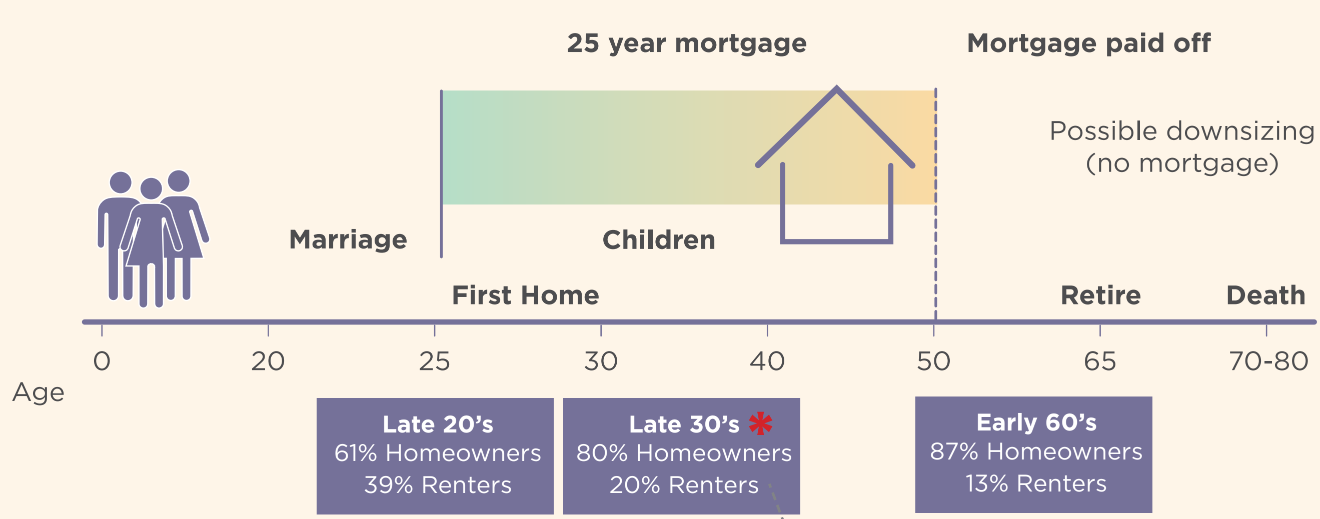
The diagram below depicts this change. It shows that, based on current trends,[100] there is going to be a 100% increase in people renting aged 65 and over. By 2048, the balance of homeownership is expected to shift to 60% homeowners and 40% paying rent, which will equate to up to 600,000 older people renting.

98 'We're not a nation of house-flippers': Kiwis holding onto homes longer, All things property, under OneRoof

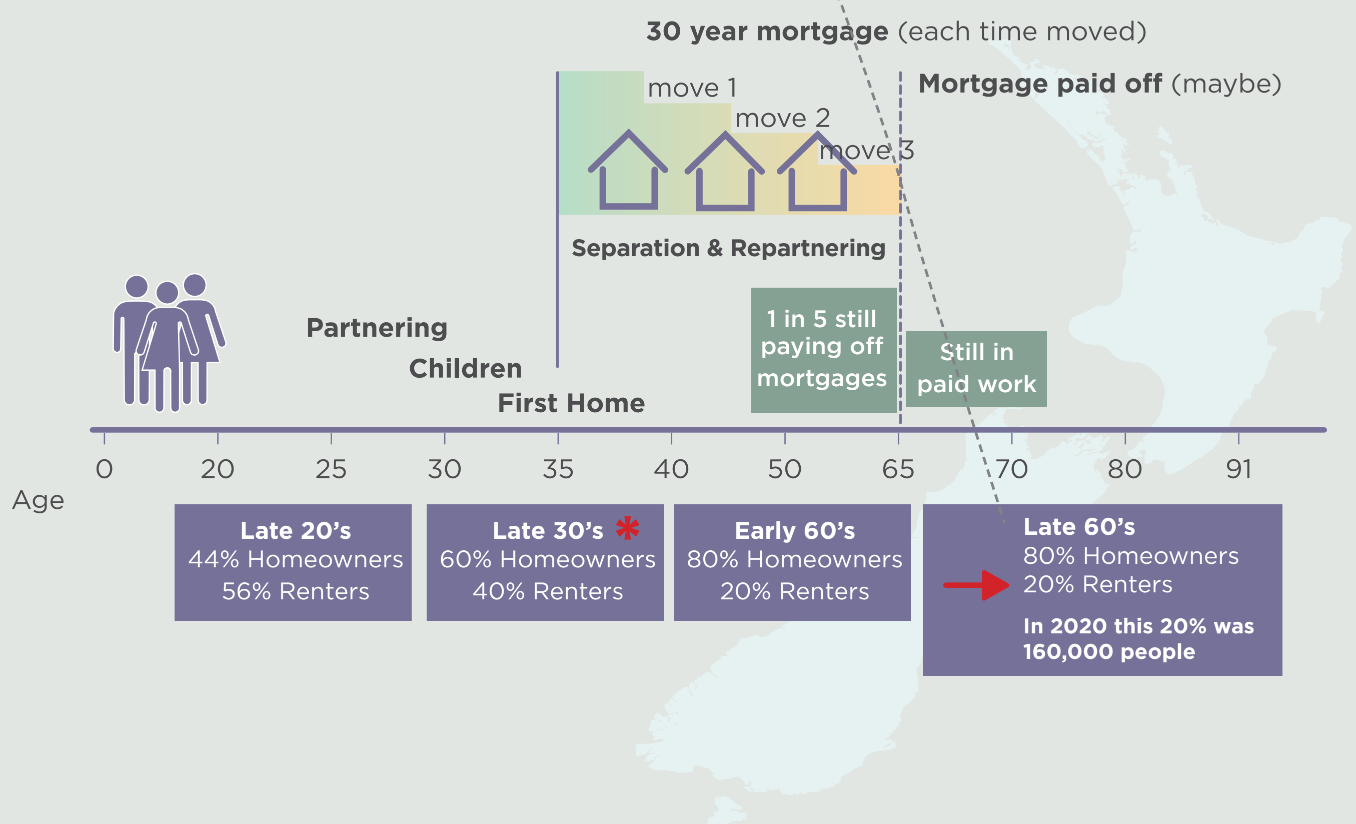
99 TAAO-Older-Peoples-Voices-Research.pdf (retirement.govt.nz)

100 Homeownership rate lowest in almost 70 years | Stats NZ

Previous life stages (1986 data)



Current life stages (2018 data)



Future life stages (2048 estimate)

Late 60's *
60% Homeowners
40% Renters

In 2048, this 40% will be 520-600,000 people

* **100% Increase in renting aged 65+ expected**
Assumes previous pattern of renter in late 30s = renter in retirement continues

NZ Super is not necessarily a retiree's only form of income. They may have other assets, such as KiwiSaver or property, which they can draw down. There is no easy way to analyse retirees' total or average wealth.

However, KiwiSaver may provide a clue. Recent analysis by Te Ara Ahunga Ora has shown that KiwiSaver balances are still modest, with 21% of those aged 51-65 having less than $10,000. This is not an unexpected finding, as KiwiSaver has only been around for 15 years (since 2007), but the next generation of retirees will not have had KiwiSaver available to them over their whole 'working life' either. It is not until 2054 that the first person will turn 65 who had KiwiSaver available since they were 18.

Even over a lifetime, with a low default contribution rate of just 3% balances may remain inadequate. In addition, not everyone will be able to save significant balances through KiwiSaver, as it largely reflects the labour market. People who experience gender, ethnic, or disability pay gaps, occupational segregation, lower levels of participation in the labour market (through part-time work and time out of paid work) or who carry an unequal burden of unpaid work, are disadvantaged from saving. Māori, Pacific Peoples, and women are over-represented here. This all reinforces the importance of NZ Super at current settings. NZ Super ameliorates the financial pressure that most people would otherwise be under in retirement.

When considering all these findings together, we can see that an increasing percentage of NZ Super has been needed to meet housing costs (of a changing nature), and that these costs are not expected to decline. Some people can be expected to fund these increased housing costs through other means, including drawing down from their KiwiSaver or other investments, but some people will not have other sources of income. Policy responses to support these people could involve NZ Super or the Accommodation Supplement.

The Accommodation Supplement (AS) is a means-tested support for those people whose housing costs represent a significant proportion of their income. Over the last five years, an increasing proportion of between 5% and 6% of superannuitants have also been receiving AS.[101] However, as Treasury's analysis above indicates, there may a greater number of superannuitants under financial stress due to high housing costs relative to their income.

One scenario is that some people are unaware of their potential entitlement to this benefit. Another is that they have been unable to obtain the benefit due to the means-testing. The limit of 'cash assets' that can be held (such as savings, shares, stocks, bonds, and loans to others) is $8,100 per person. From the age of 65, this includes a person's KiwiSaver investments as they are fully accessible from that time. The maximum amount has remained unchanged since AS was introduced in 1993 and reflects the limits that applied on the previous Accommodation Benefit since 1988. It has never been adjusted for inflation.

101 Benefit Fact Sheets - Ministry of Social Development (msd.govt.nz)

OPTIONS ANALYSIS TOR #7

	Options/ considerations	Options/ considerations	Conclusions
NZ Super covers a decreasing amount of housing costs	Increase payment rate of NZ Super	Provide supplementary assistance for housing costs	Consider policy settings for Accommodation Supplement
Accommodation Supplement has a cash asset test for eligibility	The cash asset level has not been changed since AS was introduced in 1993 ($8,100 per person)	KiwiSaver balances become cash assets when a person turns 65 as they can access the funds	Increase the cash asset test for AS
Public housing has a cash asset test for eligibility	The cash asset test level is designed to allow people to save for a deposit for a home ($42,700 per person)	Older people may also wish to save funds for their funeral, for health-related costs in later life, and to make a bequest	Increase the cash asset test for AS to match that used for public housing
Accommodation Supplement can be used to pay rent, pay a mortgage, or pay rates or body corporate fees	Restrict eligibility for AS to those paying rent (because those who own or live in their own home have an asset that provides a benefit)	There is limited ability to downsize to a less expensive property due the current housing stock; home equity release options are limited and cost/ benefit is not well understood	Maintain AS eligibility for those paying rent, paying a mortgage, or paying other housing costs

Our recommendations recognise that an increasing percentage of NZ Super is needed to meet housing costs and that homeowners have limited options to reduce their housing costs. Our recommendations also reflect the Retirement Commissioner's purpose statement, which notes that 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. We also note that the Grey Power submission included the same recommendation for the Accommodation Supplement.

RECOMMENDATIONS

Increase the cash asset test for the Accommodation Supplement to at least $42,700 per person and consider whether annual inflation adjustments are appropriate.

Government should consider ways to stimulate the supply of affordable housing including accessible and smaller one-two bedroom properties to enable people to downsize.

The current design of NZ Super includes different rates that apply whether people are living alone, living together as a couple, or living together in a sharing environment. Given the increasing proportion of NZ Super required to meet housing costs, the projected increase in number of seniors renting, and the potential for sharing or 'flatting' to occur in later life, it is also timely to consider whether these design settings remain appropriate.

RECOMMENDATION

Te Ara Ahunga Ora should undertake research to consider whether the different NZ Super rates for single, couple, and sharing, reflect genuine differences in expenses incurred.

Tikanga whakahaere 8 | Te pānga o te hāngai ā-whiwhinga moni ahungarua, me te whakamahere ahungarua mō ngā tāngata o Aotearoa kei tāwāhi, o te huringa hou kia 20 tau te tangata e noho ana ki tēnei motu e āhei ai ia ki te Pūtea Penihana Kāwanatanga.

Term of reference 8 | The impact on retirement income adequacy, and retirement planning for New Zealanders who live abroad, of the proposed change to a 20-year residency eligibility period for NZ Super.

Legislation arising from a private member's bill was passed in 2021 to gradually increase the residence eligibility criteria for NZ Super, from 10 years resident and present in New Zealand after the age of 20, to 20 years after the age of 20. This applies to people born on or after 1 July 1977.

Other existing eligibility criteria have been retained. These include being aged 65 or over and being ordinarily resident in New Zealand at the time of application and the need to be resident and present in New Zealand for five years after the age of 50. The Realm countries of Tokelau, the Cook Islands, and Niue are counted as New Zealand for this purpose.

When it occurred, the legislative change was largely discussed as affecting those people who migrate to New Zealand, and they are certainly impacted by it. However, the rules also apply to those born in New Zealand, so returning New Zealanders also need to consider more carefully whether they meet the residence eligibility criteria.

Many New Zealanders are well-travelled, spending time living and working overseas, either on their 'OE' or in later life. The question arises whether people spend sufficient time outside New Zealand to be impacted by these changes, and is quickly followed by a second question, of where do people spend time? The relevance of location is that New Zealand has 'Social Security Agreements' with several countries (currently Australia, Canada, Denmark, Greece, Ireland, Jersey and Guernsey, Malta, the Netherlands, South Korea, and the United Kingdom) and under these Social Security Agreements, time spent in any of the countries will 'count' towards eligibility for social security, which in this case is NZ Super.

It is well known that over half a million New Zealanders live in Australia, and many more have whānau living there, making Australia our most popular travel destination. Similarly, many OEs start in the UK, before venturing further afield. Does this mean that New Zealanders are unaffected by the residence eligibility change? To consider this, we asked the New Zealand Work Research Institute at Auckland University of Technology, to analyse the information available from Stats NZ's Integrated Data Infrastructure (IDI).[102]

AUT tracked three cohorts of New Zealanders who left to go overseas for at least a year. Of those departures in 1998, the research identifies the period of time spent overseas (up to 5, 10, 15, and 20 years). The research also tracks emigration of New Zealanders in 2005 and 2010 and their emigrant or returned status as of 2019. The research provides the greatest detail for one cohort only, and departures in other years may have been different, but it still details the duration of absence of New Zealanders overseas.

The research found that 87% of the 1998 cohort were still living overseas at two years, just over 75% were still overseas at five years and about 69% at 10 years. By the end of the 20-year follow-up period, about 64% of the 1998 emigrant cohort had remained overseas. At 10 years, 73% of the 2005 cohort were residing overseas.

102 RQ4-NZS-residency-change.pdf (retirement.govt.nz)

This confirms that some New Zealanders do spend significant periods of time overseas. The question of where they spend their time also needed to be considered, but this information was not available from the IDI and other data sources were accessed. The latest version of the OECD Database on Immigrants in OECD Countries is 2015/16 and this outlines the New Zealand-born population living in other OECD countries at that time. Unsurprisingly, Australia is the country with the most Kiwis, followed by the UK.

While we have a Social Security Agreement with Australia, there is an additional factor to consider. The age of eligibility in Australia becomes relevant when relying on time spent in Australia to count for NZ Super eligibility. That age is currently being increased from 65 to 67 by July 2023, which means that from then onwards, an individual will need to be aged 67 (instead of age 65) to receive NZ Super if they are relying on time spent in Australia for their residency eligibility.

The next 'top 5' countries for Kiwis living overseas are the USA, Canada, and Japan, but the USA and Japan are not countries with whom we have Social Security Agreements. While the number of individuals in each country was low (35,313 and 3,815 respectively), if Kiwis spend significant periods of time in those countries, they will need to be prompted to check their eligibility for NZ Super if eligibility forms part of their financial planning.

It is interesting to consider whether the same pattern of outbound migration from New Zealand will continue in the future. The UK may be a current destination of choice because our colonialisation by settlers from England, Ireland, and Scotland means that many Kiwis have whānau in those countries. Australia and Canada were also colonialised by the UK and movements have been less common to countries who speak a language other than English.

However, inbound migrant flows to Aotearoa are now primarily from China, India, and other parts of Asia such as the Philippines. It remains to be seen whether future 'OE' experiences, and potential subsequent temporary or permanent settlement, will continue to be countries with whom we have historical links and connections (and Social Security Agreements) or with other countries.

In summary, this recent policy change is one that Kiwis should be aware of and it has the potential to be something that people do not realise until it is 'too late'. Sufficient information should be available to explain how to determine whether people are impacted by the change, wherever Kiwis might reasonably look for such information. This would primarily be the MSD and Work and Income websites but would also be relevant to any groups that support Kiwis overseas.

RECOMMENDATION

Make information available in relevant places to inform New Zealanders of how the 20-year residency change for eligibility for NZ Super relates to them.

Tikanga whakahaere 9 | Te āhua o ngā pānga rerekē o ngā kōwhiringa whare kanorau mā ngā kaumātua i runga i ngā penapena ahungarua-tōmua me te whiwhinga moni ahungarua. Me whakahāngai ngā mahi ki ngā mahi a Te Tari Kaumātua me ētahi atu tari.

Term of reference 9 | How diverse housing options for seniors would have different impacts on pre-retirement savings and retirement income. The work should be complementary to that undertaken by the Office for Seniors and other relevant agencies.

We note that the Office for Seniors is funding a trial of shared living arrangements by older and younger people and conducting a number of housing related activities as part of its Better Late Life strategy.

We undertook a range of other research to consider this question: case study analysis of co-housing options; two surveys of people aged 45-64 to determine their future housing preferences (a general population and one targeted to Pacific Peoples across nine ethnicities); wānanga with kaumātua, and talanoa with matua, who each live in multigenerational households.

CASE STUDY ANALYSIS OF CO-HOUSING OPTIONS

In broad terms, co-housing is where a group of people get together and build a housing community. Residents live in a collaborative situation with some shared facilities (often a central common house as well as shared appliances, workshops, and sometimes bicycles or cars) and everyone has their own individual dwelling. The approach has the potential to address some of the barriers to homeownership faced by New Zealanders and may offer an accessible community that some people tend to lose as they get older.

To understand more about how living in cohousing impacts pre-retirement savings and retirement income, two site visits were conducted to hold focus groups, and desk research was conducted on a third site.[103]

103 ToR-9 Cohousing case studies (retirement.govt.nz)

Earthsong is an eco-neighbourhood located in Ranui, West Auckland, which was completed in 2008 from a concept that started in the 1990s. Earthsong has 32 homes of varying sizes (1-4 bedrooms) that are owned as Unit Titles (the same way that apartments work). Each unit has a 1/32 share of the entire site and associated resources.

The eco-neighbourhood is made up of a range of residents, including single professionals, families, and older retired residents. Currently the neighbourhood has 18 children, a historically large number for the community. It is not uncommon for a person to move to several different residences over the whole period of living in the neighbourhood as their needs change from upsizing to downsizing. Household incomes of the residents ranges significantly, with some coming into the community with a relatively comfortable income (or nest egg) and others having very little to live on (e.g., relying completely on NZ Super). Expenses can be lower (due to food production and sharing of cars and communal appliances) but rates, one of the largest costs, are set by Auckland Council (noting that rates depend on land and property value and may be higher or lower for individual properties than for co-housing arrangements).

The **Peterborough Housing Cooperative** is located in inner-city Ōtautahi Christchurch. It started in 1982, but the 2011 earthquakes terminally damaged all the houses, which were subsequently rebuilt as a purpose designed pocket neighbourhood. There are 14 townhouses, from 1 to 4 bedrooms, which are built around a huge central courtyard that includes a neighbourhood house. Ōtākaro Land Trust is the legal entity of Peterborough Housing Cooperative, and currently owns 11 of the 14 townhouses, and the three privately owned properties will revert to the Trust when the owners wish to sell. Rent is set at approximately 75% of market rents.

The residents who participated in the focus group had various forms of income, including paid work (for those under 65), NZ Super (for those over 65), and rental income from other properties. One resident suggested it generally costs around 20% less to live in cooperative housing, reflecting some shared costs and assets (such as internet and laundry facilities), and the ability to find babysitters and 'tech support'.

Abbeyfield New Zealand has 14 houses distributed around the motu, providing a home to 161 older people, across locations including Whangarei, Auckland, Hamilton, Masterton, Palmerston North, Takaka, Motueka, Nelson (Stoke and Tahunanui), Christchurch (Hornby and Wigram), Leeston, Queenstown and Dunedin. Abbeyfield New Zealand is a registered charity, registered Community Housing Provider (CHP) with the Community Housing Regulatory Authority, and a member of Community Housing Aotearoa. Abbeyfield New Zealand is almost completely reliant on funding via grants and fundraising plus mortgages. Half of Abbeyfield Houses were developed through the partial funding provided from the Housing Innovation Fund (HIF) and the Social Housing Unit (SHU).

Each Abbeyfield community houses 12-14 people who are aged over 65 (usually single as the intention is to provide companionship) and able to care for themselves independently. There are currently more women than men, largely Pākehā, and a minority continue to work part-time. Residents pay rent, which covers accommodation, meals, and operating costs on a not-for-profit basis. Many residents have experienced life shocks (e.g., redundancy, loans to family, issues with health) that have impacted on them financially. Residents receive NZ Super, and may have some savings, but have no other significant assets.

SURVEYS OF PEOPLE AGED 45-64 TO DETERMINE THEIR FUTURE HOUSING PREFERENCES

Two surveys were conducted, one from the general population,[104] and one from Pacific peoples across nine ethnicities[105] (with the support of the Ministry for Pacific Peoples). This section

104 ToR-9-Housing-general-NZ-prefs-report-TAAO.pdf (retirement.govt.nz)

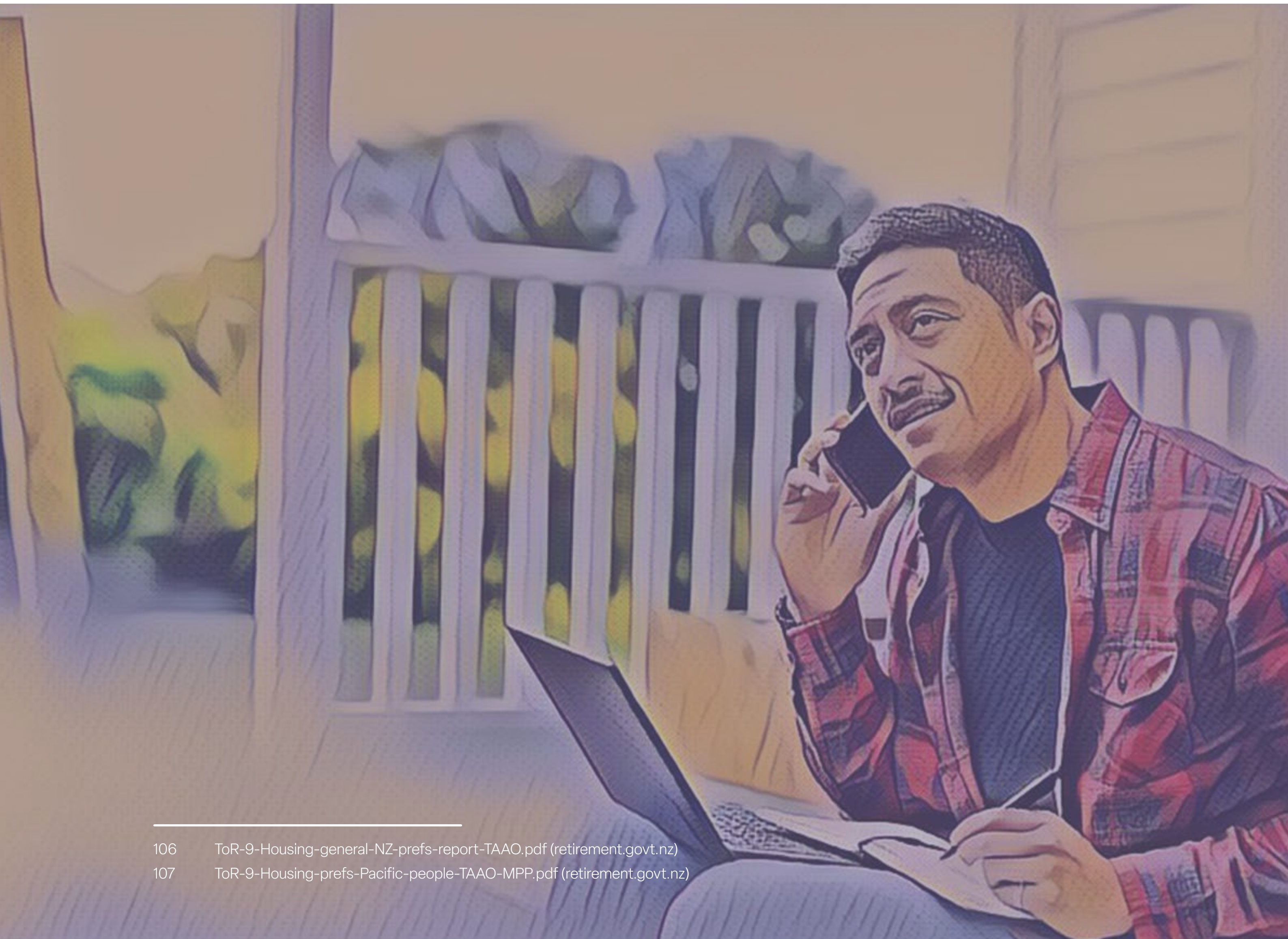
105 ToR-9-Housing-prefs-Pacific-people-TAAO-MPP.pdf (retirement.govt.nz)

will first consider the findings relating to people's pre-retirement savings activity and then their preferred housing options for later life.

Responses from the general population identified a number of barriers to savings. These included the high cost of living (44%), unexpected expenses (30%), poor health or disabilities (28%), and not earning enough money (28%). Almost a quarter (22%) report a desire to live in a 'granny flat' but are unable to find a suitable property.[106]

Responses from Pacific Peoples were similar. They identified the high cost of living (51%), expensive housing (42%), and poor health or disabilities (29%) as barriers to owning their own home. Not earning enough money was also reported (31%), as well as having to help others out financially (24%), which has been noted as part of cultural norms. A greater portion of Pacific people, compared to the general population, identified paying off debt as one way of planning for retirement (40% compared to 28%) but more also identified using KiwiSaver (56% compared to 47%) and paying off a mortgage (38% compared to 30%).[107]

In terms of preferred housing options for later life, living in a stand-alone house or townhouse is typical for 45-64 year olds (81%) in the general population, and is also their preferred housing type for 66% for life after age 65. More than a quarter of respondents intend to move, either to an apartment (14%), or some form of older-age facility (13%). A third of respondents had paid off their mortgage and 15% expected to still have a mortgage at 65. Although many still have their children living with them (39%) only 6% report having too many people for the size of the property. The majority of people feel they have at least some control over where they are likely to live in future (79%), but this is strongly influenced by home ownership, and to a lesser extent household income. Māori respondents were more likely to be renting, living in homes that need immediate repairs or maintenance, and less likely to know their future home tenure.



106 ToR-9-Housing-general-NZ-prefs-report-TAAO.pdf (retirement.govt.nz)

107 ToR-9-Housing-prefs-Pacific-people-TAAO-MPP.pdf (retirement.govt.nz)

Slightly fewer Pacific people were living in a stand-alone house or townhouse (77%) and only 59% wanted to live there after age 65. The ability to live with or close to other family members was the main reason a housing situation would be considered 'ideal'. Apartment living was not a popular future intention (8%). Of more interest were 'granny flats' (10% overall but 13% of women respondents) and moving back to the Islands. More homeowners than the general population (nearly a third) expected to still have a mortgage at age 65 and 20% of people overall were unsure of their future home ownership status. 31% of respondents were living in homes with at least three family member types, on average five people, which is below the average number self-reported as 'too many people' of seven. 24% expected to live with at least three family member types after age 65. Pacific people were more likely than the general population to report living in a cold home (a third of participants).

WĀNANGA WITH KAUMĀTUA WHO LIVE IN MULTIGENERATIONAL HOUSEHOLDS

The James Henare Research Centre at the University of Auckland conducted three wānanga as kaupapa Māori research.[108] The wānanga participants affiliated to Waikato-Tainui and Ngātiwai and were all highly regarded in their iwi and active in marae and iwi activities. They resided within their own rohe (traditional land area) and felt connected to the whenua and their whakapapa.

Many kaumātua were living with mokopuna, or look after them periodically, and some stay for extended periods (for example, to save for a deposit for their own home). A kaumātua who lived alone described her house as a place of safety that would always be available to the mokopuna (and become theirs after her death). Concerns were expressed about the financial wellbeing of kaumātua who provide care and awhi – 'we, the old people, use our money to look after the young ones'.

Participant housing experiences included living in a 'granny flat', in papakāinga, and in a converted garage (to allow her daughter to live in her home). Attitudes to retirement homes were mixed, and more positive for a home at the marae or in a Māori environment, as opposed to Pākehā ones. The ideal housing arrangement for participants was to be on ancestral whenua, with a preference for papakāinga, to be close to both tūpuna and whānau and experience the āhuatanga of te ao Māori. There were some intergenerational assumptions that children would provide care for parents in their later years, but some participants had held specific conversations with whānau. Kōrero with the kaumātua about planning for the future featured plans for their children rather than for themselves: 'we live for our children and that is what it is about'.

TALANOA WITH MATUA WHO LIVE IN MULTIGENERATIONAL HOUSEHOLDS

The Ministry for Pacific Peoples facilitated talanoa with 18 Pacific householders where matua were living intergenerationally with at least two other generations. There were two households each from the Cook Islands, Fiji, Kiribati, Niue, Rotuma, Samoa, Tokelau, Tonga, and Tuvalu. The Kakala Research Framework was used.

Intergenerational living was described as building and maintaining connection between generations, enabling care for young and old, and the transfer of cultural knowledge. It also builds household wealth and capital as family members can pool their incomes together, to build savings for a deposit, and mortgage payments.

While matua described contentment and happiness at being able to live with their children and grandchildren, younger generations may not always share their aspiration, with some wanting more independence and privacy and bigger living spaces.

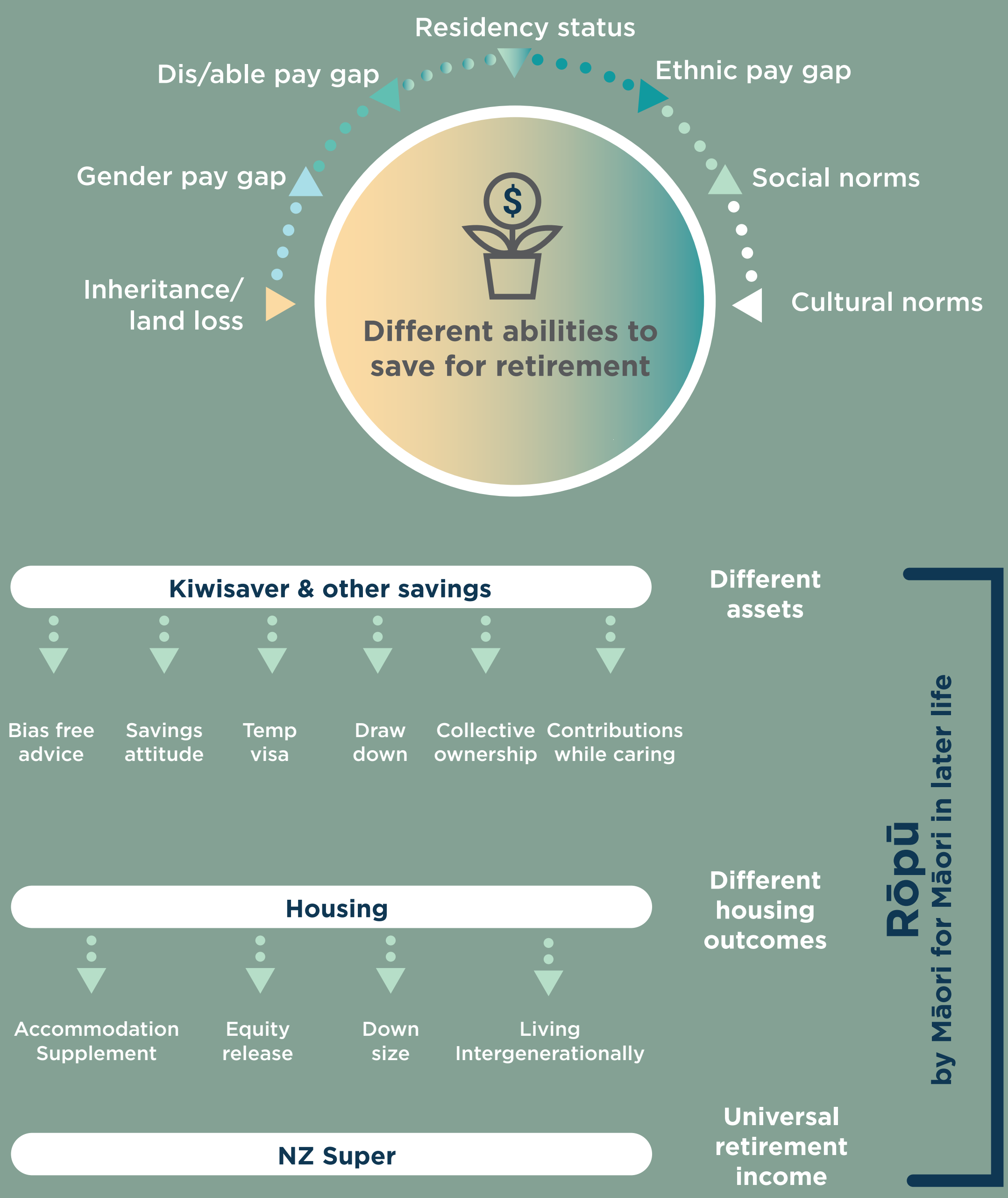
108 Kāinga Noho – Kāinga Whenua Housing and Whenua: Kaumātua Voices (retirement.govt.nz)

WHAKAKAPI
CONCLUSION

This 2022 Review of Retirement Income Policies has identified the ways in which retirement looks different for various groups of people, in particular for Māori, for Pacific Peoples, and for women. It has shown that we look at 'wealth' differently. An individualistic worldview tends to view wealth as predominantly financial, built not just from earnings from employment, but also from assets and inheritances. A collectivist te ao Māori worldview has wealth as connections, to people past and present, and to land. Income is a necessity, but earnings are impacted by pay gaps, and occupation segregation, and land has not been returned to the original owners. A collectivist Pasifika worldview has wealth as family, supporting and supported by church, community, and the islands. Earnings are impacted in a similar way to Māori and land held may be far away from where they now call home.

Despite the richness of these wealth stories, financial wellbeing in retirement varies because of how we are positioned differently to save for retirement. The solutions to this are complex – and some go well beyond the remit of the Office of the Retirement Commissioner.

However, by recognising that many different groups have a role to play in improving retirement outcomes for all New Zealanders, this RRIP provides a starting point for important – and necessary – future work to ensure our retirement income system is fit for the 21st century. We need to both adapt to an ageing population, with lower rates of home ownership than in the past, and to truly meet our obligations under Te Tiriti o Waitangi in time for its 200th anniversary.


Residency status
Dis/able pay gap
Ethnic pay gap
Gender pay gap
Social norms
Inheritance/
land loss
Cultural norms
Different abilities to
save for retirement
Kiwisaver & other savings
Bias free advice
Savings attitude
Temp visa
Draw down
Collective ownership
Contributions while caring
Different assets
Housing
Accommodation Supplement
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Down size
Living Intergenerationally
Different housing outcomes
NZ Super
Universal retirement income
Rōpū
by Māori for Māori in later life

NZ SUPER

POWERS OUR HEROES

Illustrations by Ross Murray

Mahia te mahi, hei painga mo te iwi.

Work for the betterment of the people.

Te Ara Ahunga Ora Retirement Commission

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