

KIWISAVER - Month Organiser

ACTIVITY IN APRIL

- Our 'Tales from the Tent' mobile video recording studio interviewed the public at Clevedon Farmers Market – see 'Caught on camera'.
- A KiwiSaver forum with 19 providers discussed what improvements could be made to the scheme.
- A KiwiSaver forum with six government policy agencies talked about how the scheme is working and ideas for change – see 'Making headlines'.
- A KiwiSaver and retirement perceptions research survey was completed by 2,200 people – see 'What NZ told us'.
- An online public snapshot survey was completed by 1,830 people who also contributed 2,300 comments – see 'What NZ told us'.
- A KiwiSaver hits and myths media release and podcast addressed concerns and misconceptions – see 'Making headlines' and 'Caught on camera'.
- KiwiSaver blogs provided alternative perspectives from a financial commentator, a former politician, a student and Commission staff – see 'What NZ told us'.

HIGHLIGHTS

- KiwiSaver automatic enrolment continues to work effectively, with an increase of 111,149 members over the year to a total of 2,642,000 in June 2016. Removal of the \$1,000 kick-start in May 2015 appears to have contributed to the rate of growth slowing from 8.3% in 2015 to 4.8% to the end of March 2016.
- Total KiwiSaver assets increased by \$5 billion in the past year to \$35.1 billion at June 2016. Assets have doubled over the past three years, up from \$17.4 billion in June 2013.
- Withdrawals for first home purchases increased significantly, up from \$214 million in 2015 to \$496 million in the year to March 2016. This can be attributed to policy changes allowing more to be withdrawn, along with increases in house price caps.
- 580,000 members made no contribution to their account in the past year and therefore received no member tax credits. Around 1.1 million members contributed less than \$1043 and so didn't get the full member tax credit.

- 69% of people surveyed by the Commission said KiwiSaver was important or very important to meeting their retirement income needs. Flexibility in contribution rates was the main change supported, while non-members were put off by concerns about the government making changes to the scheme and not getting their money back.

THEMES

- A key recent policy change was the removal of the KiwiSaver \$1,000 kick-start in the May 2015 budget. This reduced the crown contribution to KiwiSaver by \$179 million between 2015 and 2016, and was forecast to save \$500 million over four years. It has contributed to slowing the growth of membership, with a large decline in opt-ins via providers, down by 56,456 to 35,438 in the year to June 2016. Most of this decline is likely to be under 18-year-olds whose membership number fell from 368,079 in June 2015 to 352,036 in 2016, with fewer children signing up, as well as 17 year-old members turning 18.
- The crown contribution to KiwiSaver was \$687 million in the year to June 2016, most of which was member tax credits of \$640 million. Since the start of KiwiSaver the total crown contributions have been \$7.3 billion of the \$35 billion in total assets at June 2016. The share of crown contributions is declining over time as member and employer contributions, along with investment income, increases.
- At 2.6 million members, KiwiSaver has achieved a high level of coverage, enrolling about 75% of working age New Zealanders. As a workplace-based savings scheme KiwiSaver has been successful in enrolling those in the PAYE tax system. More work needs to be done on encouraging the self-employed and contractors to join; this may be possible as part of a provisional tax system innovation.
- Just over one billion dollars was withdrawn from KiwiSaver in the past year. First home withdrawals jumped to \$496 million, driven in part by rule changes. Withdrawals for retirement purposes increased from \$422 million to \$513 million. Hardship withdrawals went up from \$43 million in the year to June 2015 to \$65 million to June 2016.
- Commission research on KiwiSaver found the main reasons for joining was to save for retirement (34%), followed by getting the \$1,000 kick start (27%), which has been discontinued. People over 65 in KiwiSaver were the strongest advocates for the scheme, with 67% having actively recommended it.
- Public surveys have strongly supported greater flexibility in contribution rates, with 85% agreeing there should be more options. A strong theme that emerged from the comment section was the demand for increasing employer contributions, as well as the need for a greater incentive for retirement savings or making KiwiSaver compulsory.

- KiwiSaver provides an essential retirement savings scheme to supplement New Zealand Superannuation. Proposed changes to annual statements, showing fees in dollars and projected future balances, will help initiate greater engagement with KiwiSaver. There is a risk that if members do not actively select funds and only contribute at the lowest rate they will not achieve the level of savings required for their anticipated retirement lifestyle.
- Registered superannuation schemes were also reviewed. The key theme is declining numbers and membership since the removal of tax concessions in the late 1980s. The creation of KiwiSaver and recent regulatory requirements have contributed to further rationalisation and amalgamation of schemes. Total assets, as at December 2014, were \$22 billion held in 456 schemes, compared with \$11 billion in 2,863 schemes in 1990. 69 of the schemes managed more than \$50 million in assets and accounted for 91% of the total assets. Only schemes with more than \$50 million have maintained membership numbers since 1990.

MORE INFORMATION

- Recommendations – see ‘Change today and Change tomorrow’.
- KiwiSaver and retirement perception survey – see ‘What NZ told us’.
- Annual KiwiSaver Report 2016, FMA – see ‘Heavy stuff’.
- Superannuation scheme statistics 2015, FMA – see ‘Heavy stuff’.
- KiwiSaver Evaluation Report 2015, IRD – see ‘Heavy stuff’.
- KiwiSaver lessons for Ireland, Susan St John – see ‘Heavy stuff’.