

What retirement assets do people have beyond NZ Super and KiwiSaver?

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Purpose

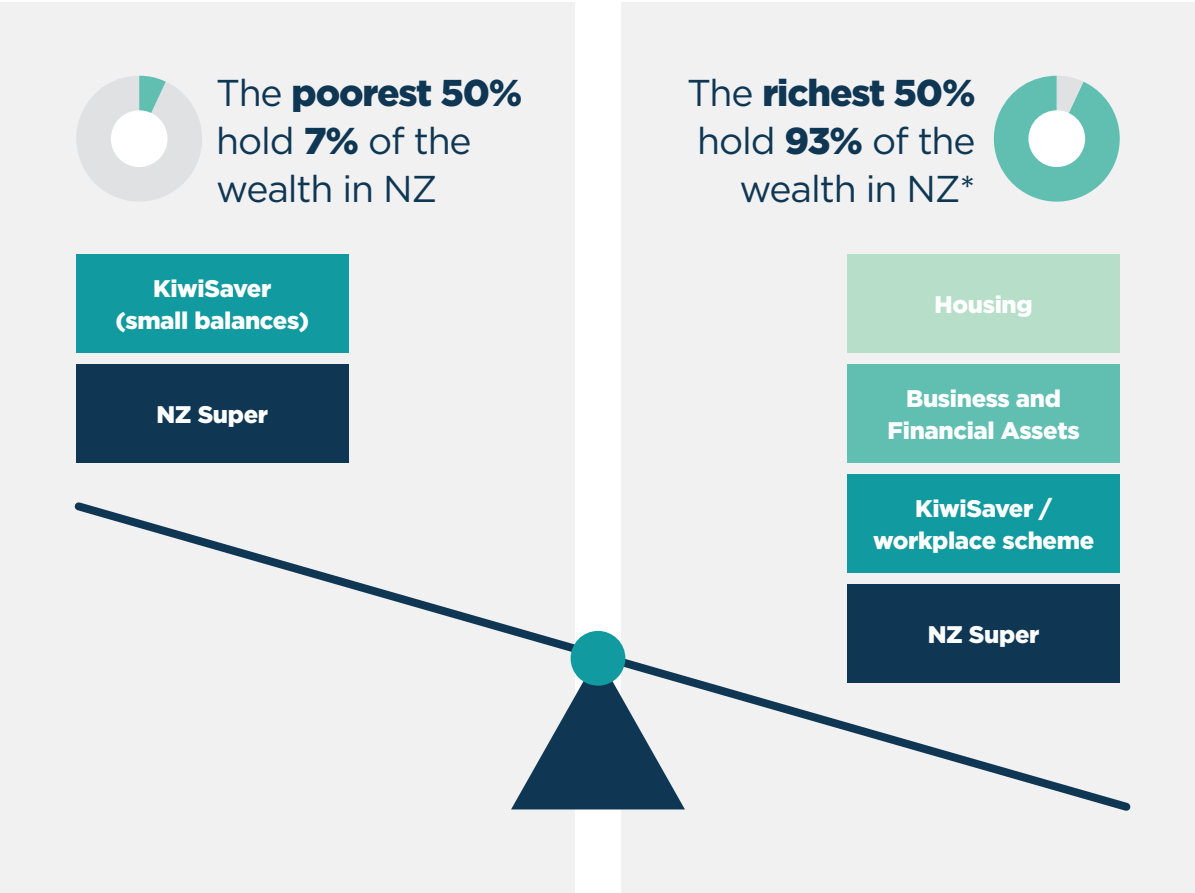
Te Ara Ahunga Ora Retirement Commission has previously noted with concern the relatively low balances of KiwiSaver accounts. This raises the question of whether people hold other significant assets, which might mean a more comfortable retirement is possible than the figures suggest. This paper examines what is known about other assets, noting significant data gaps.

Executive Summary

We do not have a clear understanding of what retirement assets people hold individually beyond NZ Super and KiwiSaver. Available data sets are either scarce or highly aggregated, and self-reported data may not provide a complete picture, especially at the upper end of the wealth distribution. This presents challenges to policy makers and represents a data gap in Aotearoa. This paper collates the information that is available and identifies the data gaps.

The paper first examines the retirement assets about which we know the most – NZ Super, KiwiSaver, workplace retirement savings schemes, and housing – and then considers the available data on other assets. It also considers the distribution of these assets as it varies by age, gender, and ethnicity. The paper then considers the overall distribution of assets across Aotearoa and the future implications for retirement income policy.

The paper presents a picture of concentrations of wealth, particularly within the top decile (10%), but also across the top five deciles (the richest 50% of New Zealanders). The poorest 50% of New Zealanders are shown to hold very little retirement assets beyond NZ Super, on which they will rely during their retirement.



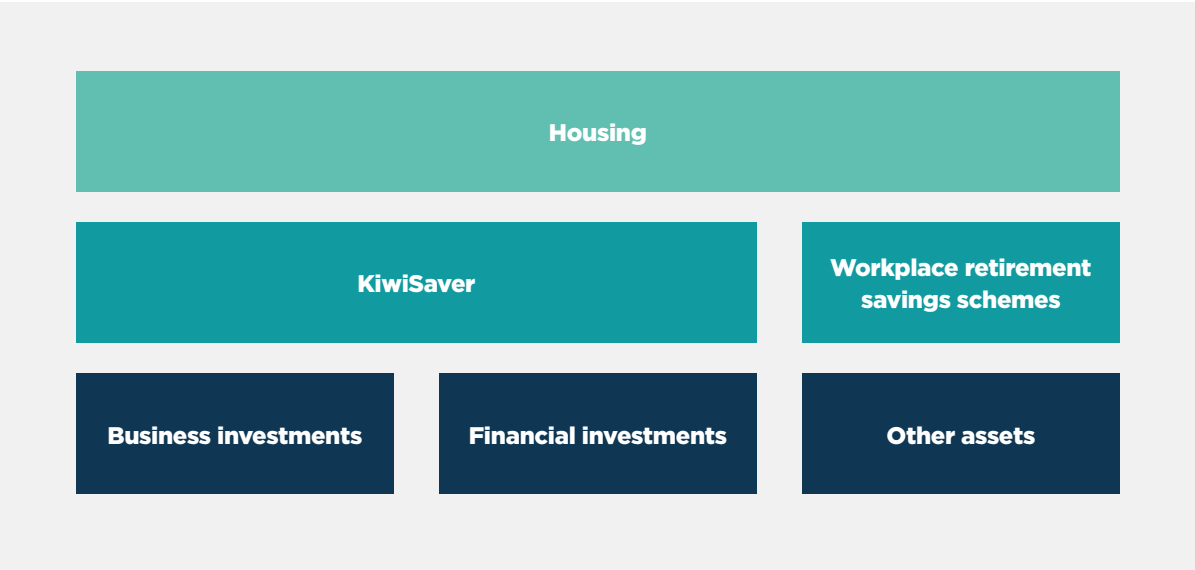
*The richest 10% hold 50% of the wealth in NZ (Source: 2021 HES)



Retirement assets

Retirement assets take a number of forms. Firstly, there are the two types of pension assets: public and private. Our primary retirement ‘asset’ is the guaranteed lifetime annuity income of NZ Superannuation (‘NZ Super’), the state (public) pension. This is supplemented by private pensions, primarily the KiwiSaver retirement savings scheme, but also workplace retirement savings schemes.

Retirement may also be funded by other assets, which can collectively be described as wealth. Accordingly, this paper will periodically refer to wealth, and will include examination of housing assets, financial assets, and business assets.



Data on wealth in Aotearoa New Zealand is scarce. The primary reason for this is that wealth is not taxed, so records do not need to be collated for government purposes, such as by Inland Revenue. However, we do have quarterly estimates of the assets and liabilities of New Zealand’s household sector, produced by the Reserve Bank of New Zealand (RBNZ) until June 2021 when Stats NZ took over. These data are mostly from administrative sources, such as registered banks and other financial institutions, or from Stats NZ’s national accounts data. The data is at an aggregated level and is for the entire household sector, which means that a number of people who are not included in Stats NZ’s household surveys (people living in non-private dwellings and people living overseas but with assets in New Zealand) were included in the RBNZ aggregate data (Stats NZ, 2016).

Stats NZ has also run a number of household surveys. The 2001 Household Saving Survey or ‘HSS’ was the first household survey to measure household net worth in New Zealand and was a stand-alone one-off survey. Between 2002 to 2010, Stats NZ ran a longitudinal survey known as the Survey of Family, Income and Employment (SoFIE), that measured income, employment, and family dynamics. It was not continued after its initial fixed term funding. The current survey is the Household Economic Survey or ‘HES’, an annual survey that collects information on household expenditure and income, and demographic information on individuals and households (Carter et al, 2010). Every three years, as part of the HES, Stats NZ collects detailed information on income and expenditure. This provides disaggregated survey data on wealth (Stats NZ, 2023a).

However, survey data such as HES present several issues. They are considered weak in terms of accurately capturing the upper end of the wealth distribution, under-sampling the wealthy, having differential non-responses, and under-reporting biases (Ching et al, 2023). We acknowledge these limitations, but as HES is all that we have, it will be referenced heavily in discussion in this paper of other assets (or wealth).



NZ SUPER

NZ Super provides a guaranteed lifetime annuity income for those aged 65 and over who have met the residency-based criteria. The amount of income provided is calculated with respect to average wages. The amount for couples is 66% of average wages; for a single person living alone it is 65% of the married rate, and for a single person sharing it is 60% of the married rate. NZ Super is a 'tier 1' retirement income scheme that aims to protect from poverty in old age (TAAO, 2021).

NZ Super is paid fortnightly, meaning that it is an income source rather than an asset, but is included here as it represents a guaranteed annuity and in recognition of its importance to many of its recipients. NZ Super is virtually the only source of income for 40% of people aged 65 and over, and another 20% have only a little more (TAAO, 2022). The current rates of NZ Super are shown in the Table 1.

Table 1: Net and gross NZ Super payment rates from 1 April 2024

Pension type	Net weekly rate (after tax at 'M')	Net weekly rate (after tax at 'S')	Gross weekly rate
NZ Super or Veteran's Pension - standard rates			
Single			
Single, living alone	\$519.47	\$500.62	\$606.67
Single, sharing	\$479.51	\$460.66	\$558.31
Couples			
Only one of you qualifies	\$399.59	\$380.74	\$461.41
Both you and your partner qualify (combined)	\$799.18	\$761.48	\$922.82
Both you and your partner qualify (each)	\$399.59	\$380.74	\$461.41
Only one of you qualifies and you include your partner in your payments (combined) - grandparented since November 2020	\$759.64	\$721.94	\$874.88
Only one of you qualifies and you include your partner in your payments (each) - grandparented since November 2020	\$379.82	\$360.97	\$437.44

Source: WINZ (2024)



KIWISAVER

The total funds under management in KiwiSaver schemes exceeded \$100bn for the first time in the September 2023 quarter (RBNZ, 2023). The majority of New Zealanders are in KiwiSaver with 3,254,336 members (FMA, 2023). This represents over 90% of the population aged 15 to 69 (Stats NZ, 2023b). The mean average KiwiSaver balance is \$27,379 (MJW, 2023).

However, mean average numbers don't tell us exactly what individual people actually have in their KiwiSaver accounts, so we commissioned research to understand the situation better, Table 2 provides insights from this research in terms of average balances by age and sex (MJW, 2023). It is a data gap that disaggregated data on KiwiSaver balances is not publicly available.

Table 2: KiwiSaver average balance by age and sex (31 December 2022)

Average balance (\$)				
Age	Total	Female	Male	Male/Female
17 and under	2,449	2,423	2,463	102%
18-25	7,589	7,088	8,694	123%
26-30	15,046	13,950	16,963	122%
31-35	18,554	16,985	21,535	127%
36-40	23,825	21,703	27,950	129%
41-45	30,527	27,269	36,114	132%
46-50	37,716	33,189	45,036	136%
51-55	42,866	37,414	51,428	137%
56-60	47,016	41,074	55,995	136%
61-65	51,054	45,017	60,067	133%
66-70	54,112	51,088	59,875	117%
71-75	57,464	53,913	63,696	118%
76-80	55,403	51,855	60,951	118%
81-85	166,214	187,987	151,824	81%
86 and over	178,441	226,920	131,275	58%
Unknown age	11,129	9,878	16,624	168%
All ages	27,379	25,144	31,496	125%

Source: MJW (2023)

While the overall average balance is \$27,379, this figure actually represents an average of \$31,496 for men and \$25,144 for women. This represents a gender KiwiSaver gap of 25% (at the end of 2022) and a gap that grew from 20% at the end of 2021 (TAAO, 2023a). The gender KiwiSaver gap is the result of a combination of factors, including the gender pay gap, higher rates of part-time work by women, and the unequal division of unpaid work such as caring for children and other whānau. As KiwiSaver contributions are mainly made as a proportion of earnings, for as long as women earn less than men, and are paid for fewer of their hours of labour over their life course, the gender KiwiSaver gap will remain.



KiwiSaver is relationship property, which means in the event of a relationship separation, it can be divided between the parties. However, research by Te Ara Ahunga Ora has shown that 3 in 4 people do not take KiwiSaver into account when dividing their assets, and receiving formal advice does not make them more likely to do so (TAAO, 2023b).

Balances also vary by age, generally increasing over time, with some evidence of capital draw down for those aged 76-80 and likely consolidation of spousal assets for those aged 81 and over. The average balance held by those approaching pension age (the 56-65-year-old group) is approximately \$49,035.

Another way to analyse the data was by balance and then age, as shown in Table 3. This analysis revealed that 39,233 people aged between 61 and 65 have less than \$10,000 in their KiwiSaver and a further 26,850 people have between \$10,000 and \$20,000 (balances on 31 December 2022). One of the main reasons for smaller balances in this age group is that KiwiSaver was only introduced in 2007. Over time, the balances of this age group would be expected to increase, as they would have been in the scheme for longer than the current cohort of retirees. It will only be in 2054 (another 30 years) that a 65-year-old would have been able to contribute to their retirement savings through KiwiSaver since they were 18 years old.

Table 3: KiwiSaver balances by age (31 December 2022)

Age	\$0-\$10k	\$10k-\$20k	\$20k-\$40k	\$40k-\$80k	\$80k+
17 and under	204,461	4,160	1,027	172	57
18-25	281,564	82,814	28,117	1,991	158
26-30	134,825	82,218	78,812	16,298	538
31-35	135,404	74,770	83,419	39,162	3,630
36-40	102,869	57,818	69,859	48,010	11,501
41-45	76,204	46,375	60,154	49,744	20,039
46-50	63,273	40,981	58,392	54,907	29,300
51-55	57,274	38,631	59,461	60,657	36,252
56-60	48,393	33,476	54,698	60,726	39,112
61-65	39,233	26,850	45,556	51,976	37,408
66-70	27,811	13,345	18,649	19,134	18,755
71-75	13,686	6,792	9,326	7,645	8,659
76-80	4,303	2,412	3,979	2,320	2,499
81-85	123	38	52	90	307
86 and over	77	21	43	50	167
Unknown age	112	24	28	15	4
Total all ages	1,189,612	510,725	571,572	412,897	208,386

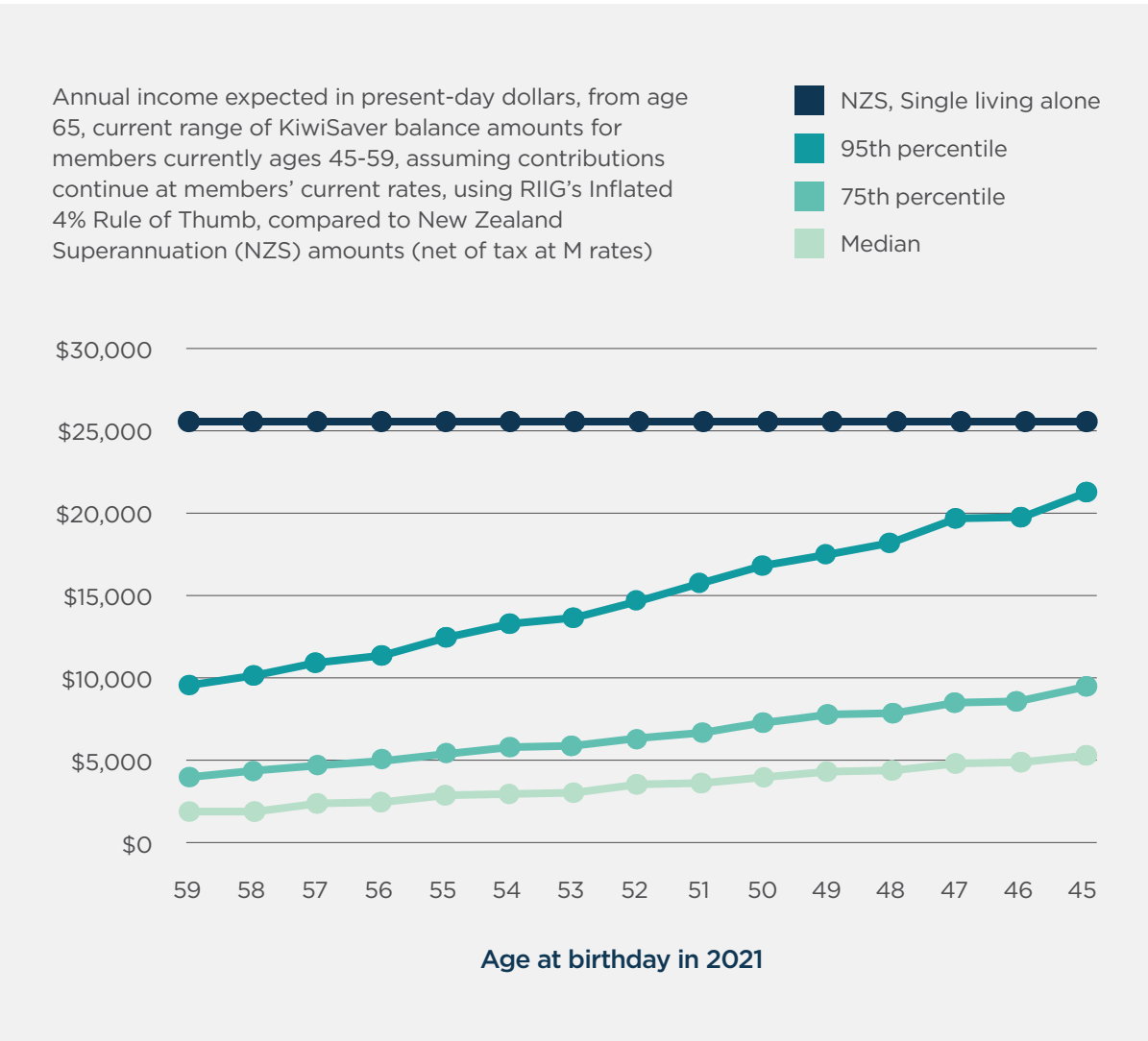
Source: MJW (2023)



To understand what present day balances will mean in retirement we can look to recent analysis by the Retirement Income Interest Group (RIIG) (NZSA, 2024). Figure 1, below, shows the relative importance of NZ Super and KiwiSaver to the next generation of retirees (those who are currently aged 45 to 59). NZ Super will provide a higher income over their lifetime post age 65 than more than 95% of KiwiSaver balances will provide (the 95th percentile dotted line). KiwiSaver is expected to be a top-up to NZS of about a quarter to one-third for typical contributing 45-year-olds.

RIIG suggests that although future generations of retirees are expected to have higher KiwiSaver balances, this does not necessarily mean that they will be less reliant on NZ Super, due to their lower rates of homeownership. Paying rent throughout their life could reduce their ability to save and they may draw down their KiwiSaver balances more quickly to continue to meet higher housing costs than are faced by current retirees. In which case, NZS will become even more important for today’s younger generation than it is for today’s retirees.

Figure 1: Comparison of income between NZ Super and KiwiSaver



Source: NZSA (2024).



WORKPLACE RETIREMENT SAVING SCHEMES

Workplace retirement savings schemes are a legacy from before KiwiSaver was introduced in 2007. Individual employers would contribute to a retirement savings scheme for their employees. They were often DB or ‘defined benefit’ funds based on a proportion of salary. Many of these funds are now closed to new entrants and will ultimately be closed after all the payments have been made to the fund beneficiaries. We can expect that retirement income from these sources may be significant given the attractive nature of defined benefit schemes, the long contribution period for most members, and significant employer contributions.

However, a number of workplace retirement savings schemes remain, generally as DC or ‘defined contribution’ schemes. Examples include the New Zealand Retirement Trust (run by AMP) and MAS Retirement Savings Scheme (run by the Medical Assurance Society).

Members of Parliament no longer have their own workplace retirement savings scheme after the Parliamentary superannuation scheme ceased accepting members elected after 30 June 1992. However, recognising that MPs are not employees (and are not eligible for employer matching contributions), special provision has been made for them to receive a subsidy in respect of any contributions they make to a voluntary retirement scheme (such as KiwiSaver). The subsidy can be up to 20% of an MP’s salary, if they contribute 8% of their salary (Parliament, 2023). This subsidy exceeds the 3% employer matching that most employees receive and contrasts with the situation faced by other non-employees who do not receive any form of matching or subsidy to support their own contributions.

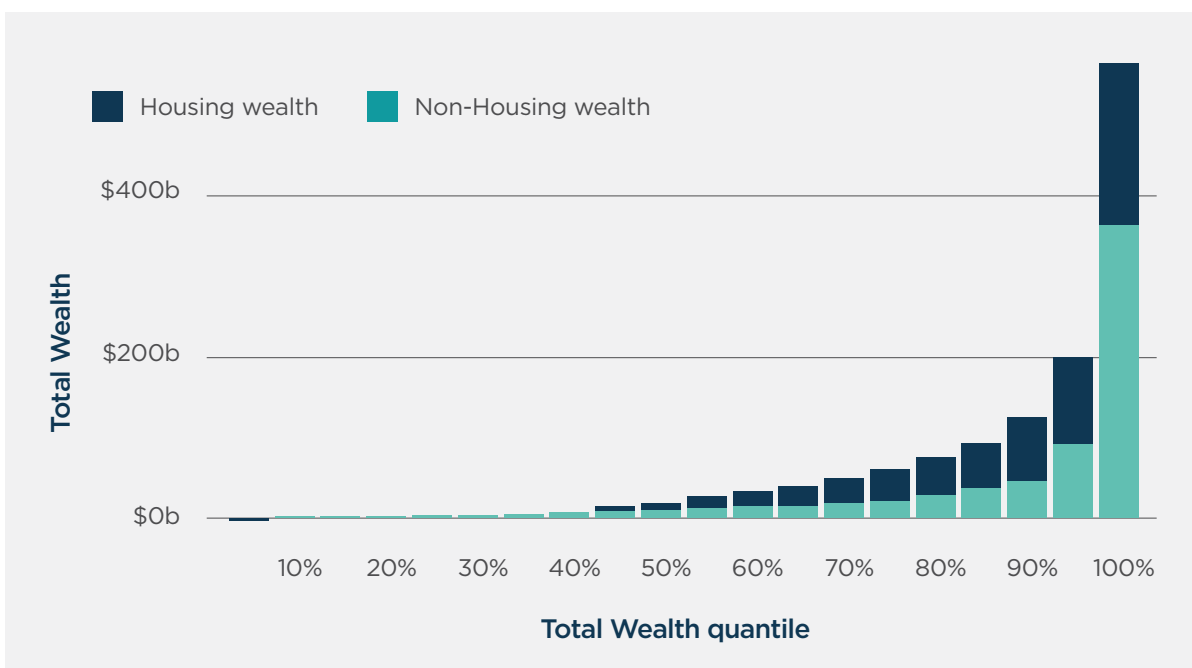
In total, workplace retirement savings schemes currently hold \$30.9 billion funds under management, which is just under a third of the funds under management in KiwiSaver schemes (RBNZ, 2023).

Data on the demographic distribution of workplace retirement savings schemes is not publicly available. This is another data gap.

HOUSING

We now consider other assets, or wealth, that may be used to fund retirement. Data from the HES, in Figure 2, reveals that housing wealth is the most widely held type of asset and generally the largest proportion of our wealth (Symes, 2021).

Figure 2 Housing and non-housing wealth in New Zealand (2018)



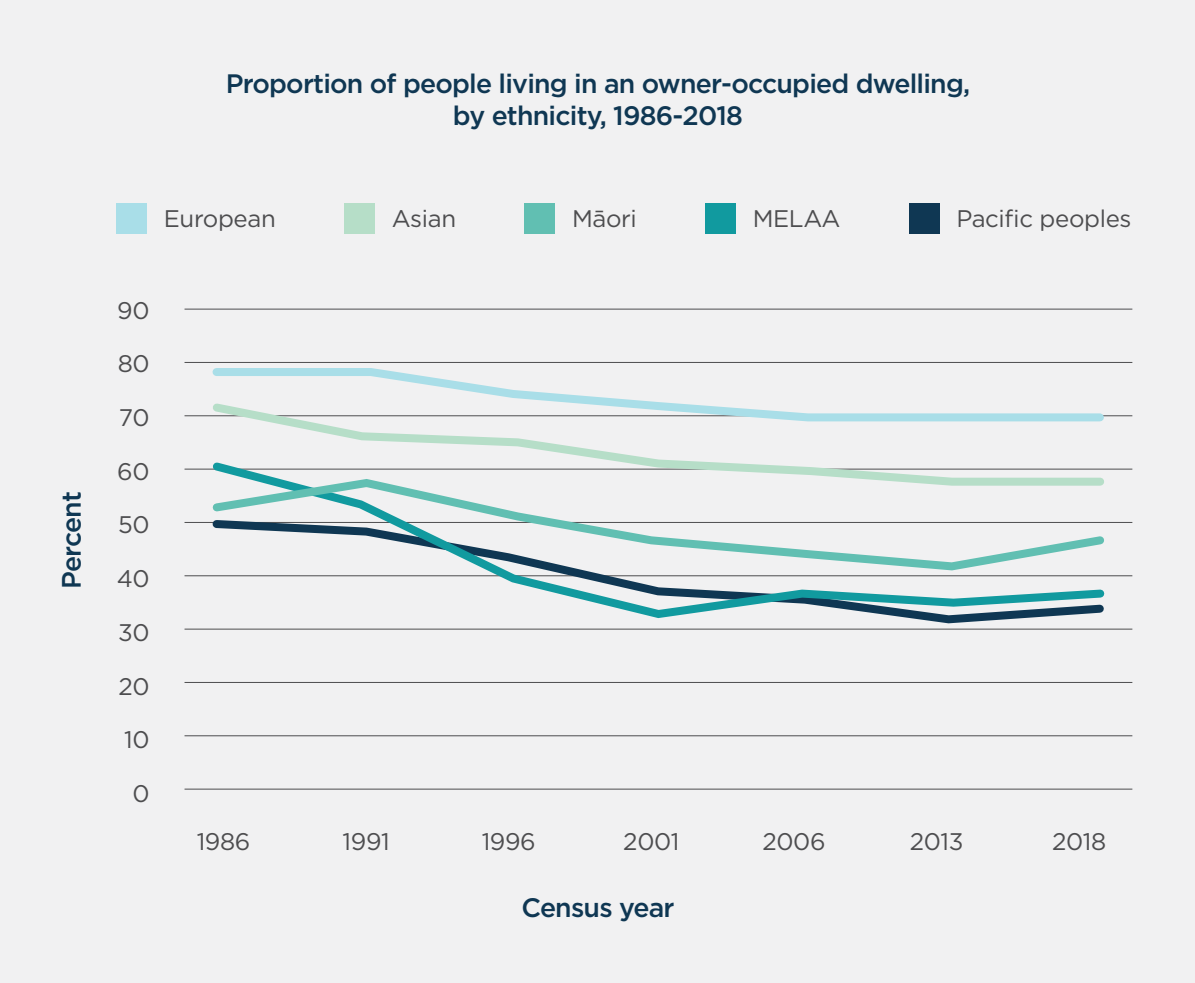
Source: The Treasury (2021)



Housing has represented an increasing proportion of our wealth. In the 2001 HSS, residential property was 43% of wealth, but in the Reserve Bank’s 2014 household balance sheet it had increased to 60% (Rashbrooke, 2015). The most recent figures for 2023 show housing at 54% (Stats NZ, 2023c). However, the top end of the distribution tells a different story, as the graph above also highlights that housing wealth is not the biggest asset for the top wealth decile. We will return to this shortly in examination of non-housing assets and their distribution.

Housing as a potential retirement asset is not evenly distributed across population groups. Rates of home ownership are dramatically lower for Māori than non-Māori and are lowest for Pacific Peoples as shown in Figure 3.

Figure 3: Home ownership by ethnicity



People with different ethnicities may be living within a household.
 MELAA - Middle Eastern. Latin American. African

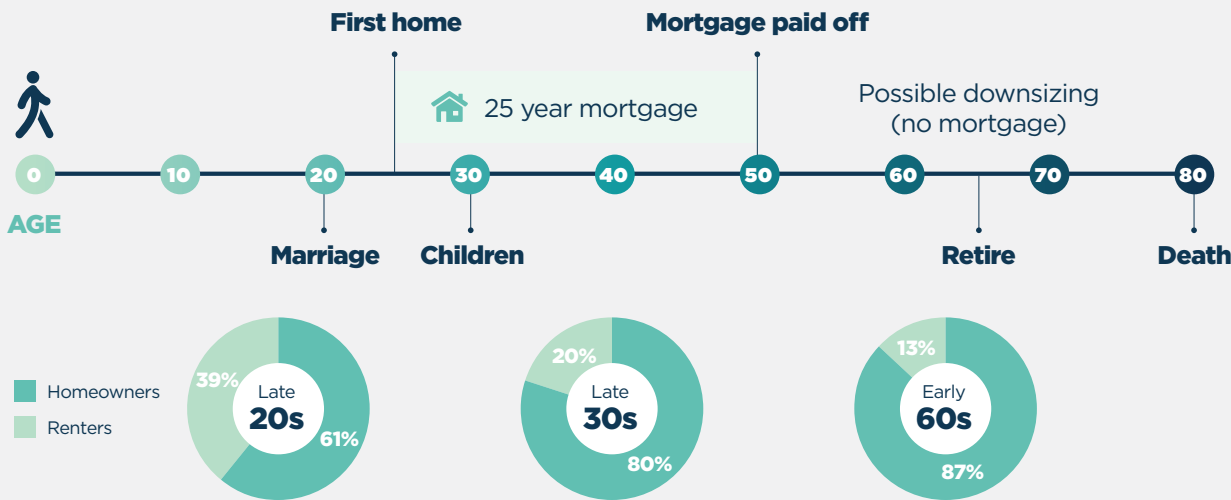
Source: Stats NZ, 2020a: Housing in Aotearoa



It is also the case that overall rates of home ownership are falling, with the 2018 census revealing the lowest home ownership rate in almost 70 years, at 64.5%. Home ownership is also occurring later in life. Fewer people in their 20s and 30s own their home, dropping from 61% of 25–29-year-olds in 1991 to 44% in 2018, and from 79% of 35–39-year-olds in 1991 to 59% in 2018 (Stats NZ, 2020b). Mortgage terms are now usually between 25 and 30 years (Finance, 2023). If the full term is taken to repay the mortgage, people will still be making mortgage repayments in later life, unlike previous generations.

Previous life stages

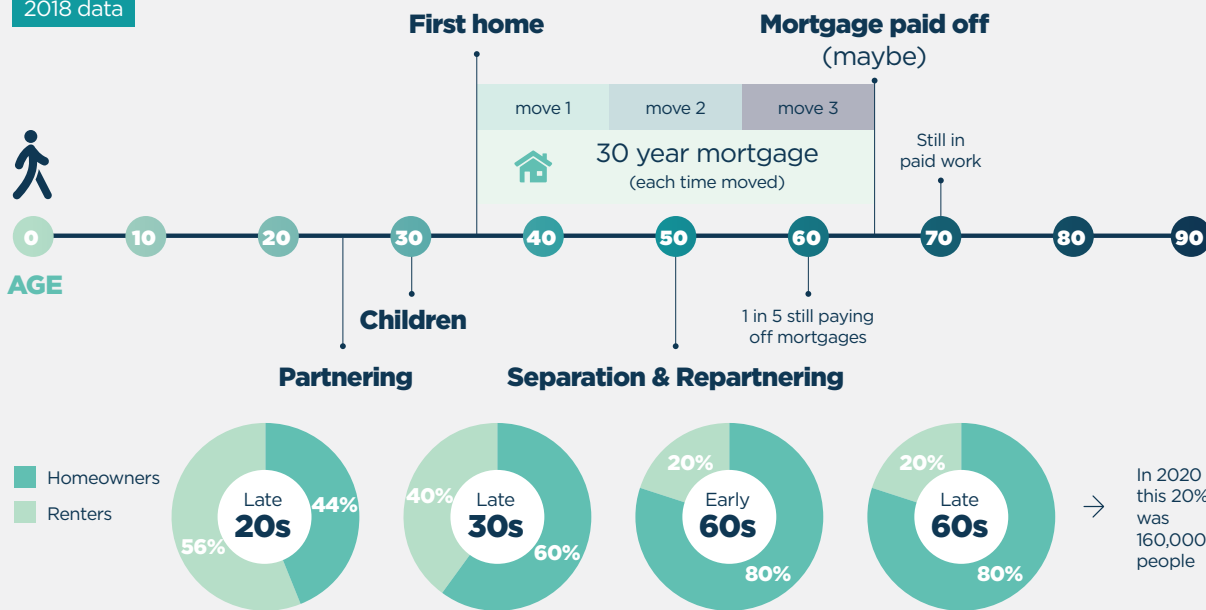
1986 data



Source: TAAO, 2022

Current life stages

2018 data



Source: TAAO, 2022

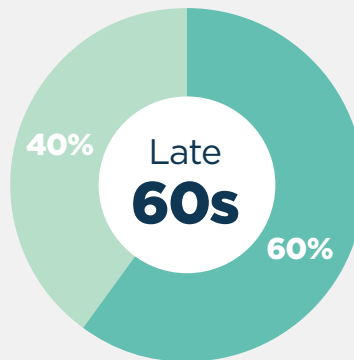
Future life stages

2048 estimate

■ 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

Source: TAAO, 2022

For housing to provide an income in retirement, either equity must be released, or the property must be rented out. Where only one property is owned, renting part of it out is unlikely, which leaves the option of selling or using a home equity release product. Selling presents difficulties unless the retiree has somewhere else to live, and there are limited home equity release products in Aotearoa, although they do exist (Reyers, 2022). However, housing is more than a potential source of income, and we acknowledge that many in Aotearoa do not hold that view of their house (TAAO, 2022).

FINANCIAL ASSETS

When the RBNZ measures the NZ aggregated household balance sheet, it includes the following types of financial assets: currency (notes and coins); deposits (with banks and non-bank deposit takers); securities other than shares (central and local government securities and retail or corporate bonds); loans (provided by households through their lawyers); equity and investment fund shares (NZ listed and unlisted shares, equity in unincorporate NZ businesses, overseas listed shares, cash management trusts, other investment fund shares); and equity in life insurance and superannuation funds (RBNZ, 2021).

We have limited distributional data on the holdings of these financial assets other than from the HES. The latest HES figures show vastly unequal distribution of financial assets, with those in the wealthiest 20% having median financial assets of \$1.11 million in the year ended June 2021, whereas those in the bottom 20% had a median value of \$9,000 (Stats NZ, 2022).



BUSINESS AND OTHER ASSETS

Business assets make up the remaining part of other assets that may be used to fund retirement. Drawing again on the HES we see the same pattern, with ownership concentrated in the upper deciles, as shown in the Figure 4 and 5 (business assets are light blue, yellow and light greens).

Figure 4: Decile 7 and above asset holdings

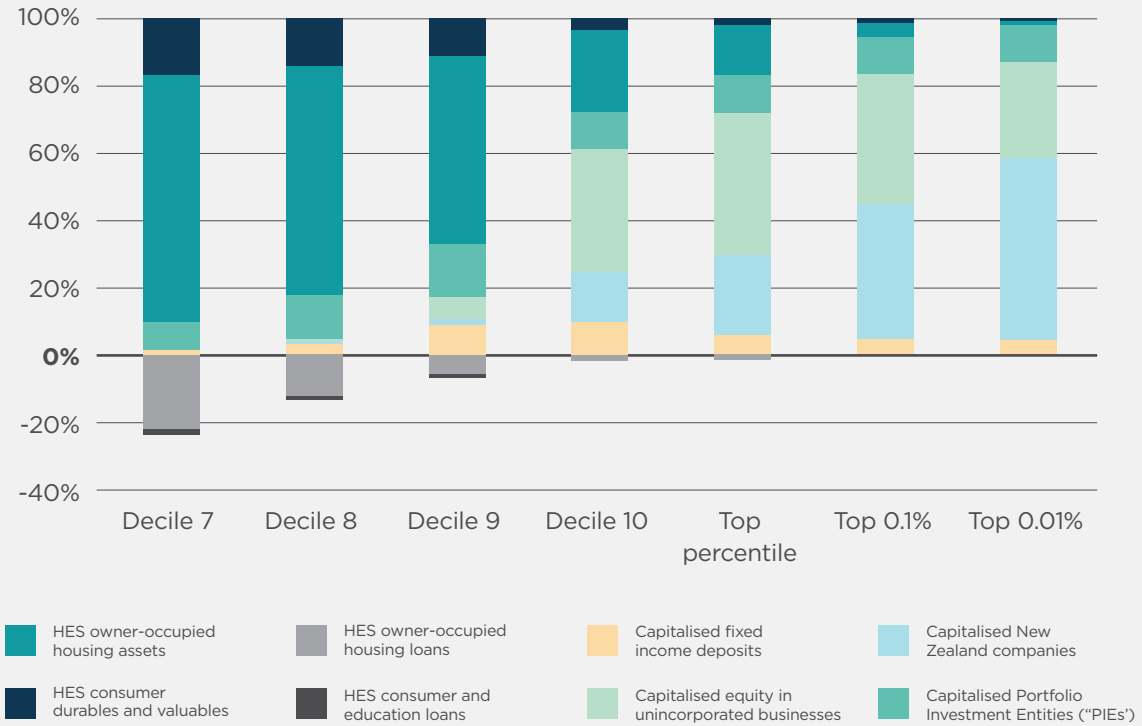
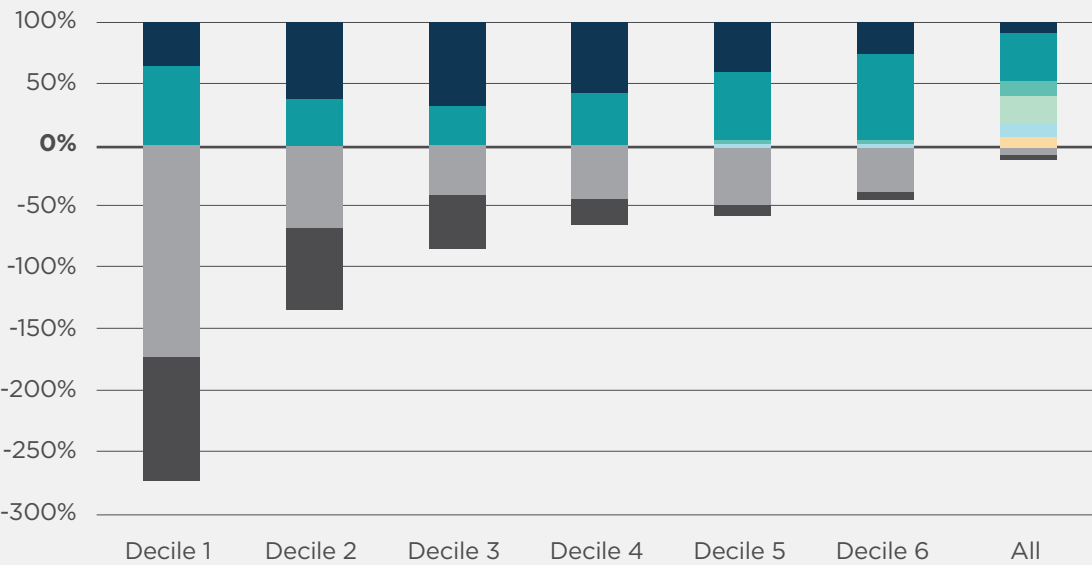


Figure 5: Decile 6 and below asset holdings



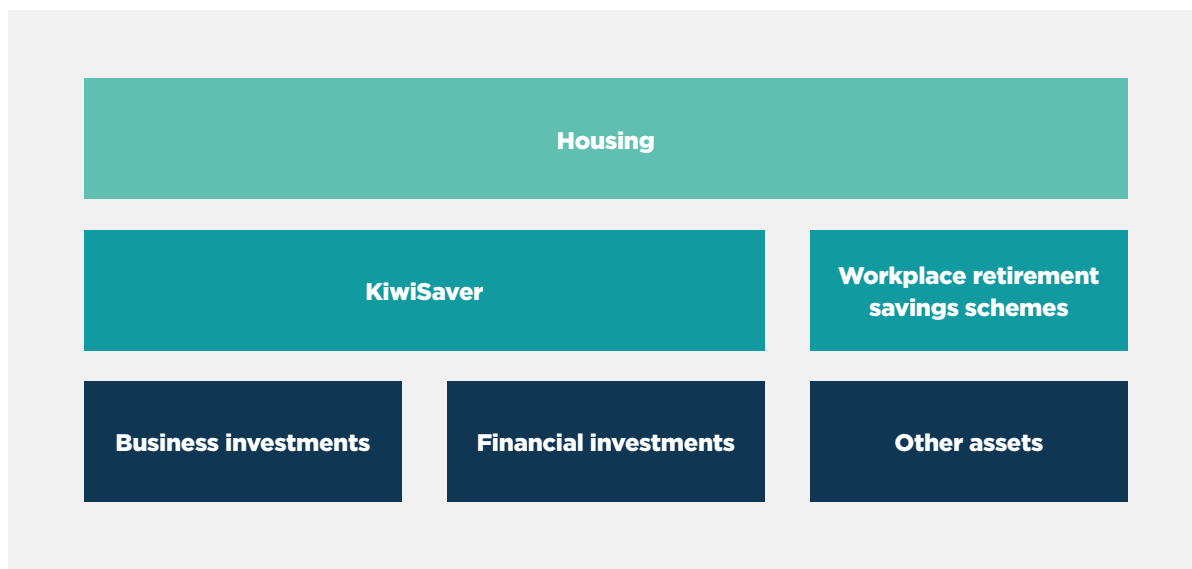
Source: Ching et al, 2023:56

As well as the concentration of ownership of business assets in the upper deciles, the other point to note is the concentration of debt in the lower deciles, which would likely restrict the ability of people in those deciles to save money because they have debts that must be repaid.



Distribution

We have previously analysed the distribution of KiwiSaver as a retirement asset (a private pension), and noted the existence of workplace retirement schemes, along with the lack of disaggregated data relating to them. We have also analysed housing ownership, because it represents the majority of most people's wealth, and is therefore a potential retirement asset. Now we consider what we know about the distribution of wealth more broadly including the available details on financial and business assets.



For a complete breakdown of asset types, we return to the SoFIE data set, starting with the overall distribution. In Table 4 we can see that decile 1, the 10% of the population with the lowest wealth, is in debt. In addition, there is a significant difference between decile 10 (the 10% of the population with the highest wealth) and the decile immediately below it (decile 9).

Table 4: Net worth by decile

Decile	Mean	Median	Minimum	Maximum	Total net worth
1	-23,000	-6,500	-	-	-7,871,472,922
2	3,200	3,000	-	6,300	1,057,312,420
3	12,300	11,700	6,300	20,000	4,168,483,760
4	32,000	31,600	20,000	46,500	10,851,799,283
5	68,700	67,500	46,600	95,000	23,210,963,311
6	124,800	124,200	95,100	157,700	42,237,654,088
7	193,600	192,500	157,700	232,600	65,543,699,671
8	280,600	279,800	232,600	334,000	94,973,768,669
9	428,300	420,500	334,100	552,800	144,936,414,295
10	1,289,700	850,500	552,800	-	436,471,879,506

Source: Rashbrooke et al, 2017:19



Figures 6 to 9 show how this pattern of distribution is repeated across all asset types.

Figure 6: Average cash by decile

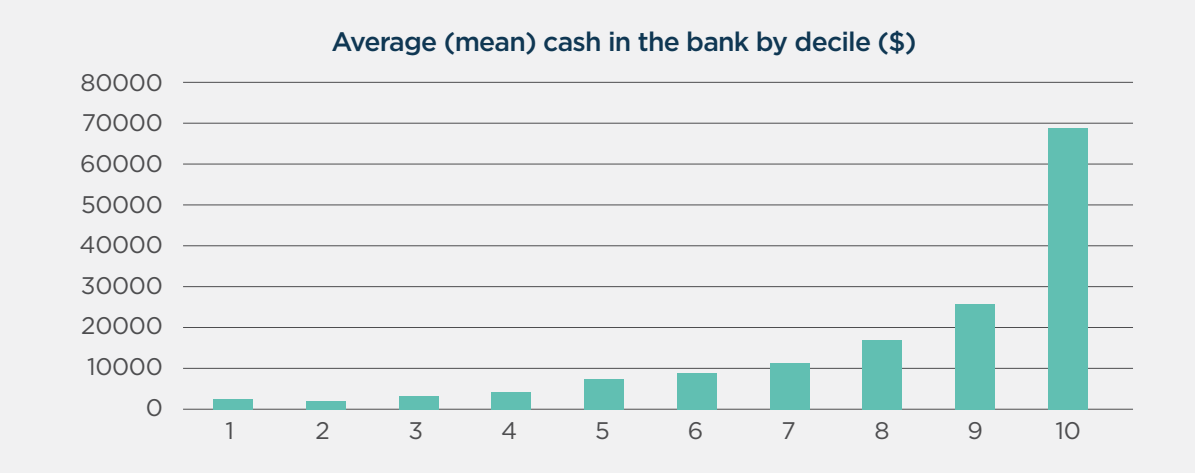


Figure 7: Average trust assets by decile

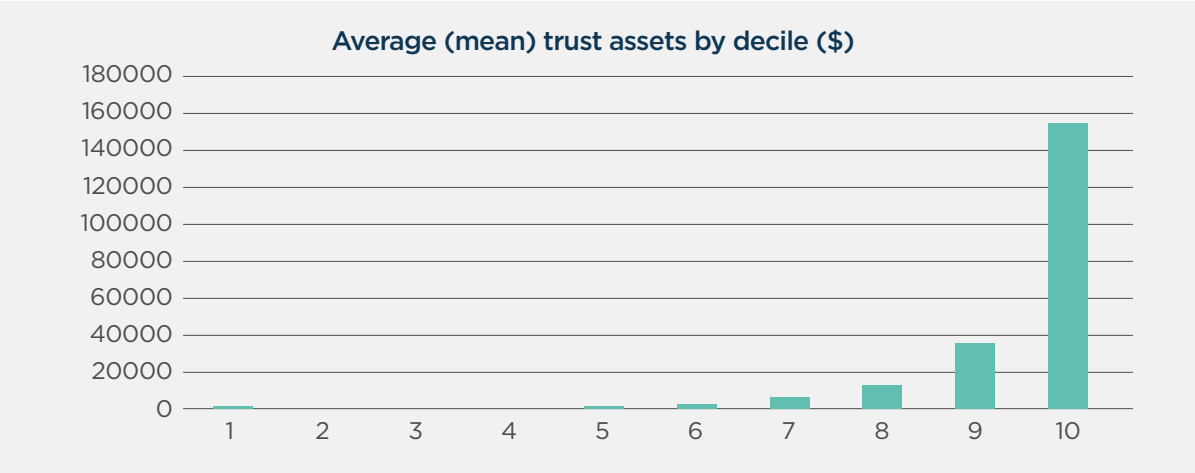


Figure 8: Average property value by decile

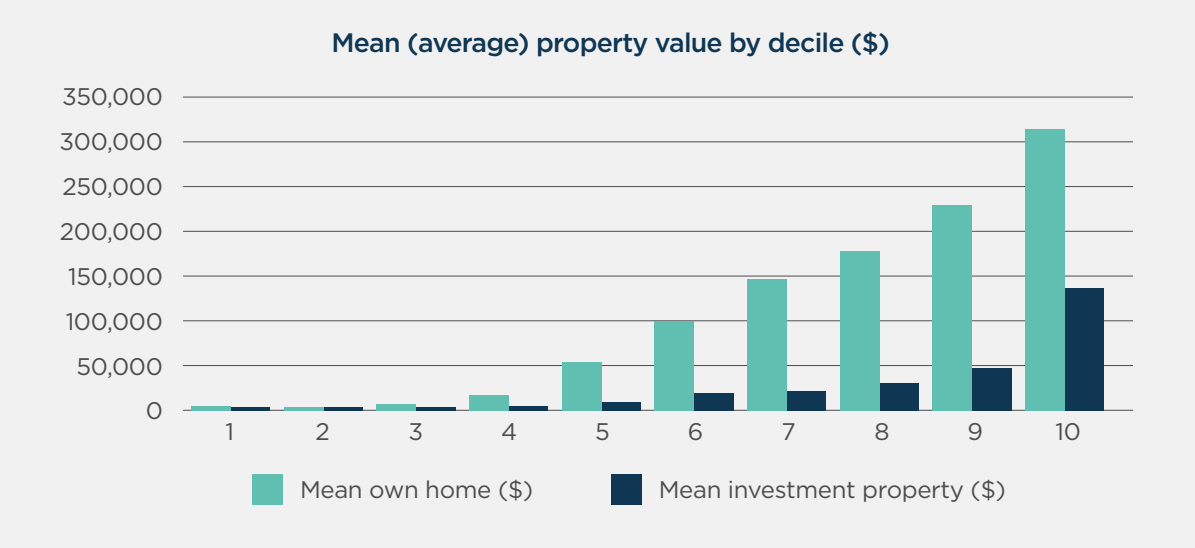
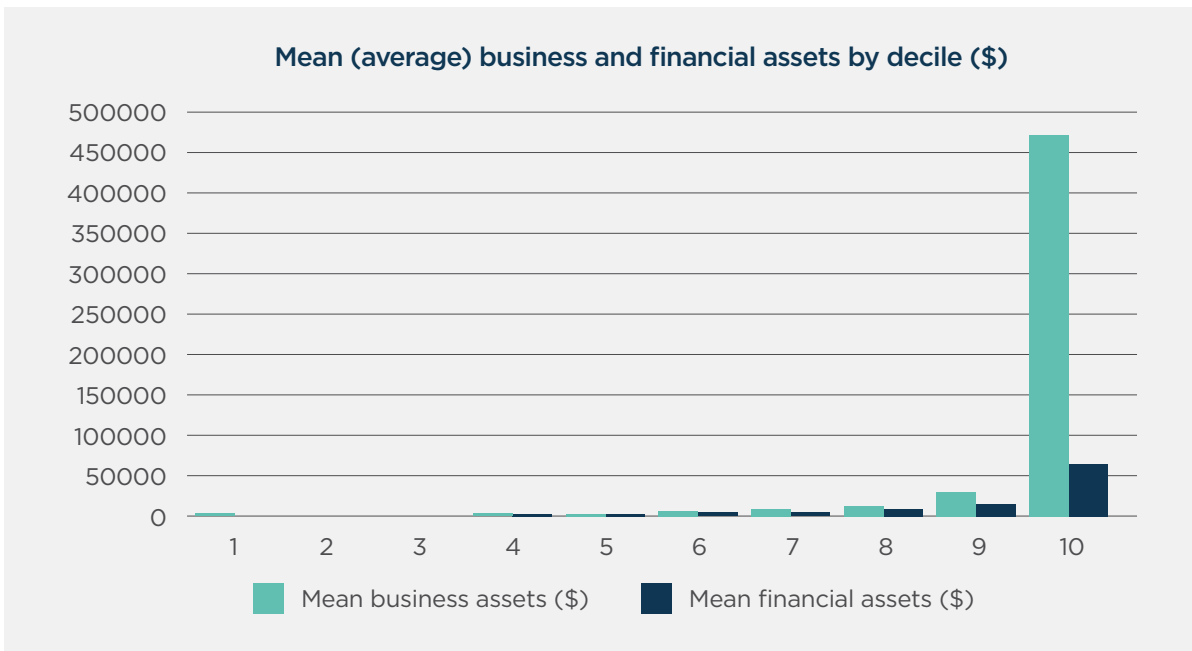


Figure 9: Average business and financial assets by decile



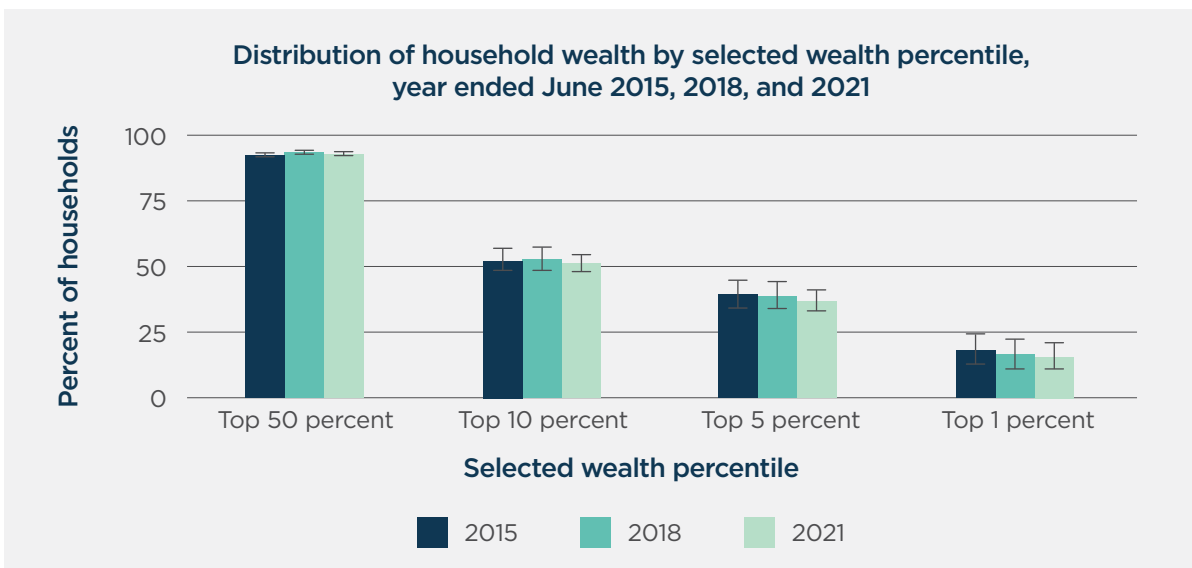
Source: Rashbrooke et al, 2017:19-22

From the SoFIE data, we can see that all potential retirement assets are distributed in the same way, with very small amounts held by the lowest 5 deciles (the poorest half of the country) and a significant difference between the top two deciles. The graphs show that top decile (the top 10%) hold a range of assets (cash, assets in trust, property, business and financial assets) and a very large group of people (the other 90%) have much less. In particular, the bottom 10% and bottom 50% collectively (numbers 1 to 5 on the graphs), have very little. These people will be renting, have low KiwiSaver balances, hold no other investments, and will be living mainly on NZ Super in retirement.

As noted previously, the SoFIE data was collected from 2002 to 2010, so it is natural to consider whether any significant changes have occurred to the distribution of wealth in Aotearoa New Zealand since that time.

The most recent (2021) HES data revealed a similar distribution. The top 10% of households held approximately 50% New Zealand’s total household net worth, as they did in 2018, and in 2015 (Stats NZ, 2022). This is depicted in Figure 10 below.

Figure 10: Distribution of household wealth over time



Households in the top 50% also include those in the top1%, 5% and 10% categories and so on

Source: Stats NZ, 2022



Another aspect of the distribution between deciles over time is the increases in wealth. The median value of wealth held by the top two deciles had increased by \$313,000 in the last three years to \$2.02 million (year ended June 2021) whereas the wealth of the bottom two deciles increased by \$3,000 during the same period to \$11,000. The wealthiest 20% owns 62% of total household assets while the lowest 20% own 1% (Stats NZ, 2022).

The distribution of wealth across New Zealand varies by age and ethnicity. Variation by age is largely to be expected as people accumulate wealth and reduce their debts over their lifetime. Table 5 shows how median net worth is higher among older New Zealanders.

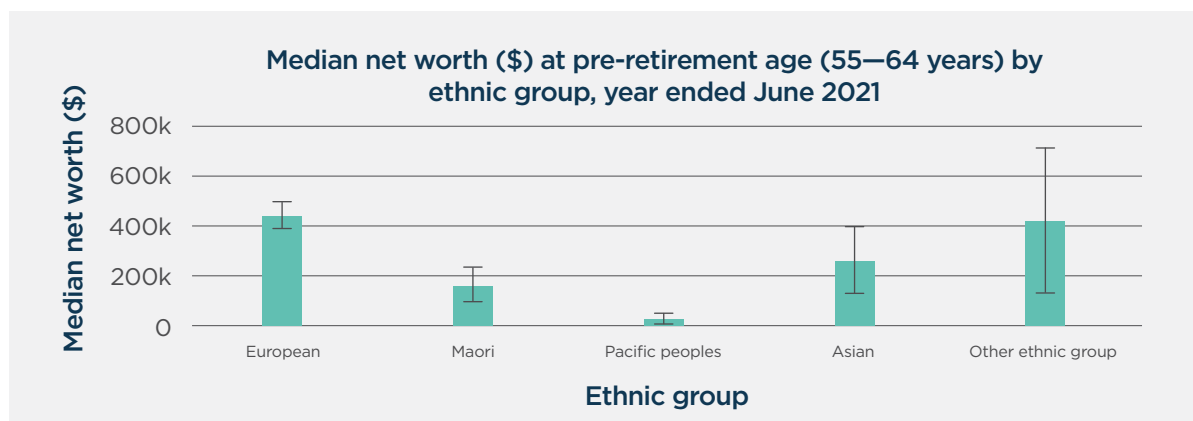
Table 5 – Median net worth by age (2021)

Age group	Median net worth \$
15-24	3,300
25-34	34,500
35-44	116,700
45-54	228,600
55-64	363,000
65-74	433,100
75+	411,900

Source: Stats NZ (2021) Net Worth Survey

The variation of wealth by ethnicity is more complicated with many relevant factors to consider, including colonisation and migration. However, in Figure 11 below that examines the 55-64 age group, it is clear that median net worth is higher among European New Zealanders and a collated ‘other ethnic group’ that includes MELAA. Pacific People have the lowest median net worth.

Figure 11 – Median net worth by ethnicity (age 55-64 group)



‘Other ethnic group’ includes ‘New Zealander’ responses, MELAA (Middle Eastern, Latin American, African), and all other ethnicities not included elsewhere.

Source: Stats NZ¹

A similar distribution is noted for the 65+ age group in Table 6, although after the age of 65, the median net worth for the Asian group has exceeded that of the broad ‘other ethnic group’ category.

Table 6 – Median net worth of people age 65+ by ethnicity

Ethnicity	Median net worth \$
European	465,300
Māori	173,300
Pacific	118,000
Asian	300,200
Other	247,700

Source: Stats NZ (2021) Net Worth Survey

¹ Distribution of wealth across New Zealand households remains unchanged between 2015 and 2021 | Stats NZ

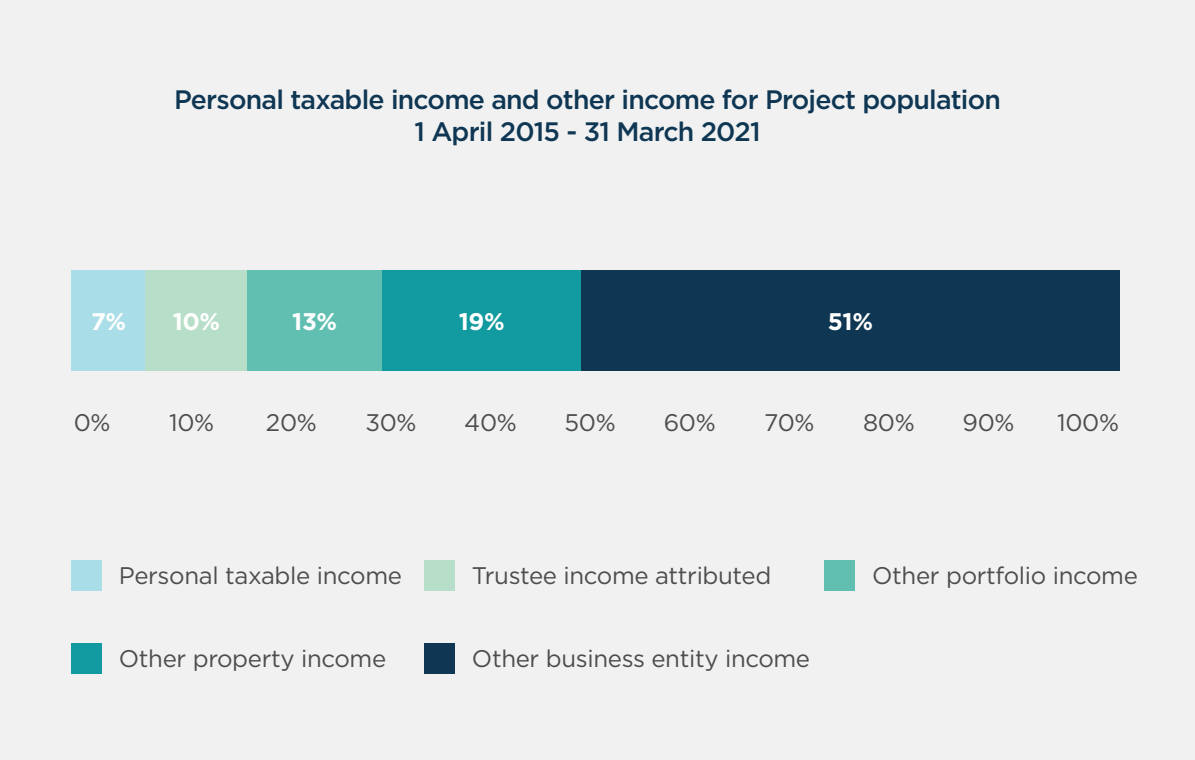
Finally, we do now know a little more about some of the wealthiest families in New Zealand, as a result of recent research by Inland Revenue (Inland Revenue, 2023). The ‘High-wealth individuals research project’ was undertaken due to the limitation of the HES at the upper end of the wealth distribution. The project examined 311 high-wealth New Zealand families who had a mean estimated net worth of \$276 million and a median estimated net worth of \$106 million (2021 figures).

For reference, Stats NZ estimates the starting point for the wealthiest one percent of households (that is, the wealthiest 19,000 households) to be \$7.6 million. So there is a significant difference in wealth held by the families selected for the research project and the rest of the highest wealth 1% of the total population.

We can see how the various forms of potential retirement assets examined in this paper have generated income for this wealthy group of people. In Figure 12, ‘other business entity income’ represents over half of the income for this group, which relates to ‘business investments’. In terms of ‘financial investments’ these are likely to have generated income under ‘other portfolio income’ and potentially ‘trustee income attributed’ and they represent 13% and 10% respectively of the income of this group.

Finally, housing (as well as commercial property), generated 19% of their income as ‘other property income’. Personal income (which would include public and private pensions for those aged over 65 and salary and other payments for work for all age groups) accounts for just 7% of their total income.

Figure 12: Income breakdown of high wealth individuals



Source: Inland Revenue (2023:4)



Implications for future retirement income policy

DATA GAPS

Good policy is based on evidence. Good retirement income policy requires evidence about how well-prepared individual people are for their retirement. This requires the regular issuance of disaggregated data on various types of wealth, ideally including administrative data rather than relying on survey data.

The data gaps identified by this paper are:

- Disaggregated KiwiSaver data (annually, by age and sex, at least)
- Disaggregated data on workplace retirement savings schemes (annually, by age and sex, at least)
- Disaggregated data on wealth
 - Longitudinal studies
 - Changes to household wealth over time

The first two data gaps could be rectified as the data is currently in existence but is held privately rather than made available for policy or academic research purposes. The data gap on wealth requires a new survey to be undertaken or an increased reporting requirement as part of existing compliance. This investment would provide the necessary evidence for good policy to be developed and support research and analysis by academia and the financial services industry. Te Ara Ahunga Ora Retirement Commission recommends that data on wealth starts to be collected.

There are some important things that we do know about wealth, as potential retirement assets, in Aotearoa New Zealand.

WEALTH IS NOT EVENLY DISTRIBUTED

Wealth (assets that can be used to fund retirement) are not evenly distributed across the population. Instead, the richest 10% hold 50% of the wealth in NZ, the richest 50% hold 93% of the wealth, and the poorest 50% hold just 7% of the wealth.

Of course this means that people will not all find themselves in similar financial circumstances in retirement. The same is true of pre-retirement as well but there is a key difference between retirement (by which here we mean age 65+) and pre-retirement (under 65). In retirement (under current settings) everyone receives the aged pension at the same rate, regardless of their financial circumstances, but benefits for the under 65s are, by contrast, means-tested on the basis of both income and assets (wealth).

The distribution of assets is highlighted in Figure 13 and 14, first as average median net worth by quintile, and then by age group for pre- and post- retirees.



Figure 13: Average median net worth by quintile – year ended June 2021

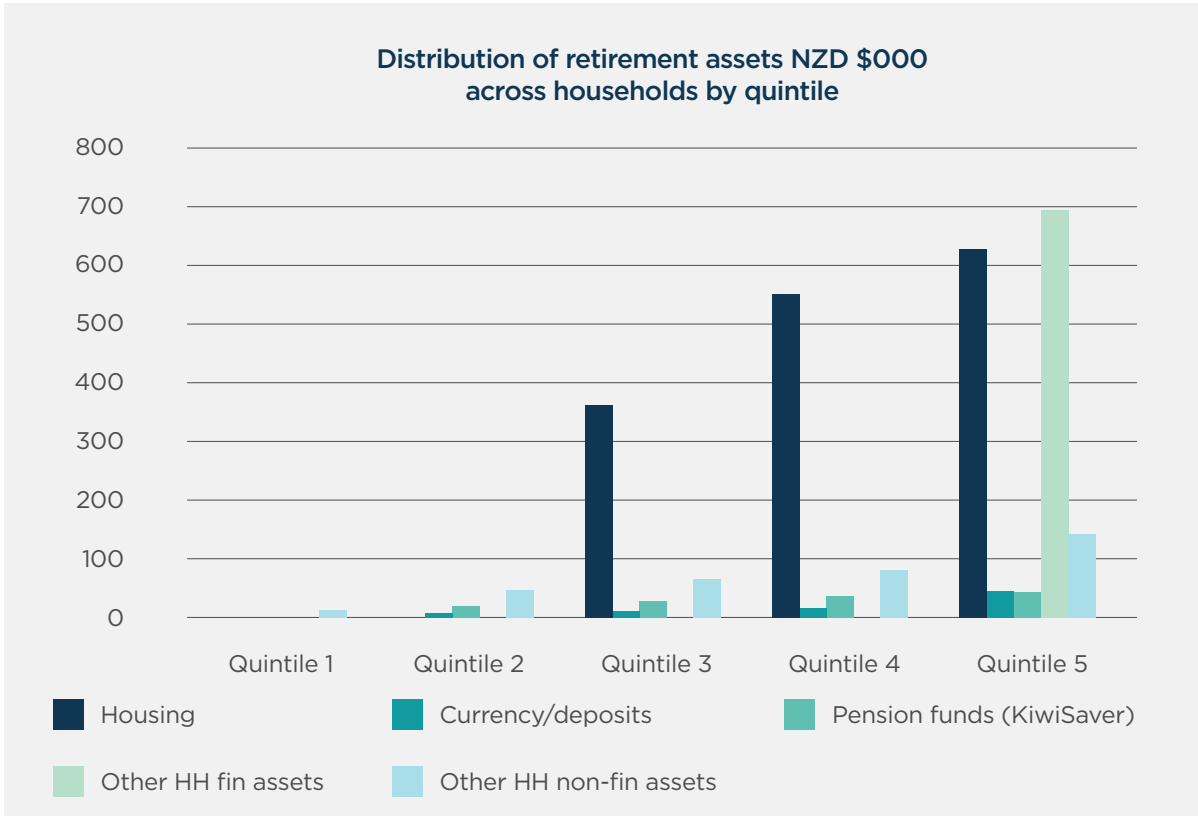
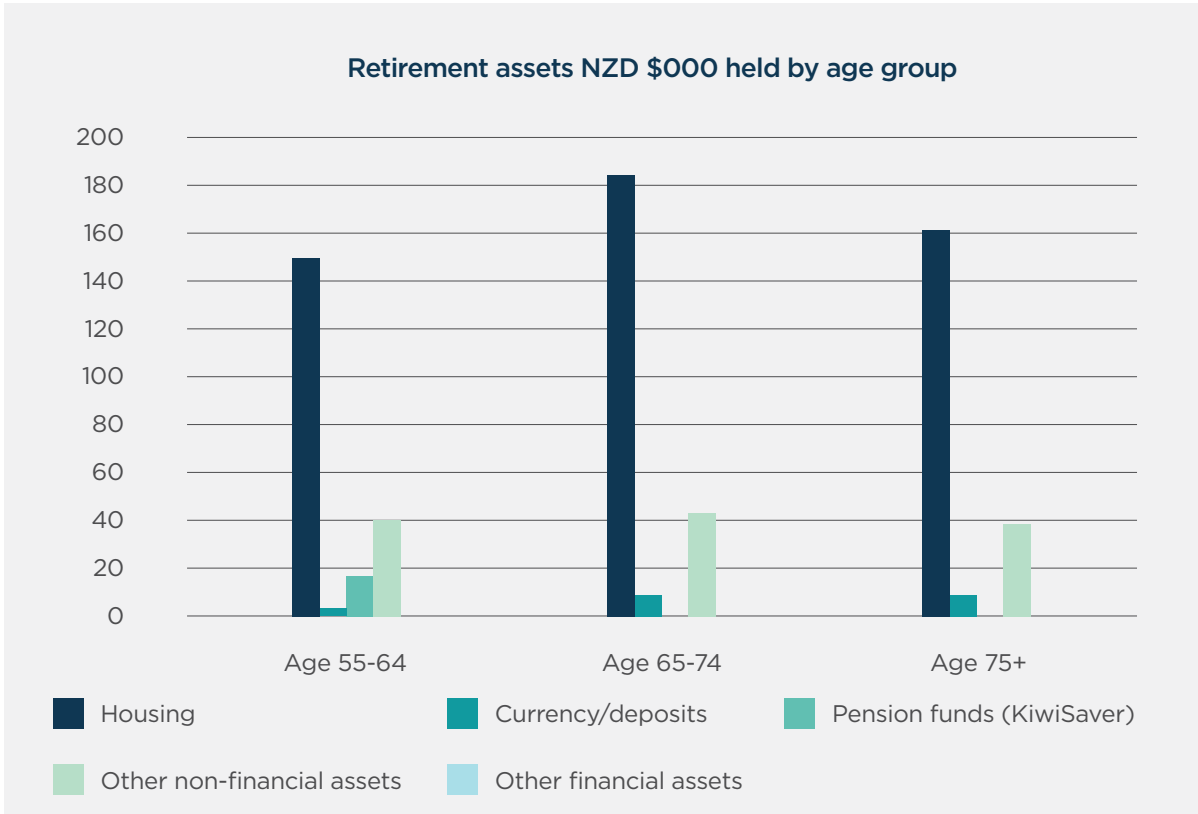


Figure 14: Average median individual assets – year ended June 2021



RATES OF HOME OWNERSHIP ARE DECLINING

The rate at which NZ Super is paid reflects an implicit assumption that people will be living in a house that they own outright or in socially provided accommodation when they retire. However, the rates of homeownership are declining overall, and vary by ethnicity reflecting broader societal inequities in income and wealth.

Research shows that home ownership is a key factor of wellbeing in retirement (Allen, 2019) so it is likely that older people's wellbeing will decrease overall as fewer people retire in their own home. As people are buying their first home at a later age than in previous generations, it is likely that more over 65s will be paying a mortgage than before, potentially from NZ Super if they are unable to remain in paid work in later life.

From a financial perspective, it is likely that a greater number of older people will require support to meet the high costs of private rental accommodation, such as the accommodation supplement (assuming they are eligible). It also means that fewer people will have access to equity from their home, although equity release products are still relatively poorly understood in NZ, and not commonly used.

KIWISAVER BALANCES ARE GENERALLY LOW

KiwiSaver balances are generally low. In part this reflects the immaturity of the scheme, as it has only existed since 2007, and it will not be until 2054 that anyone would have had the ability to save for their retirement through KiwiSaver since age 18. However, it also reflects some policy settings, such as the low default contribution rate for employees. The majority of people (64%) use the default rate, which behavioural insights reveal to be not uncommon, as people assume that defaults are an appropriate rate for them to use. Finally, it also reflects some labour market characteristics, such as the gender and ethnic pay gaps, which are often augmented by time out of paid work and high rates of part-time work (generally due to care responsibilities).

With all this in mind, we have been afforded a glimpse of future KiwiSaver balances by RIIG, and their modelling of future KiwiSaver balances based on current figures. The modelling revealed that that a quarter of contributing current 50-year-olds are estimated to have a KiwiSaver of less than \$70,800 at age 65. The median balance at age 65 is estimated to be \$124,400 meaning half of balances are expected to be below this amount and half above. As expected, the situation is better for those currently aged 45, as their median balance estimated to accrue by age 65 is \$156,900 (NZSA, 2022).

To put these figures in context, you would need a lump sum of around \$500,000 to buy an annuity that would provide the same income stream as NZ Super (Stock, 2024). Therefore, even over time, for most people KiwiSaver will not provide an income stream equivalent to NZ Super. Instead, it will provide a supplement of retirement savings, likely more useful for meeting specific costs.



CONCLUSION

The purpose of this paper was to determine whether people hold significant retirement assets other than KiwiSaver. We have found that 2/5th of people do not have KiwiSaver balances of any significant size. They do not own their own home and have little other financial assets. They will rely on NZ Super in the same way that 60% of current over 65s do. NZ Super remains the foundation of the retirement income system in Aotearoa.

Another 2/5th of people own a property and have slightly larger KiwiSaver balances and some non-financial household assets. These assets are not necessarily in the form that can produce an income stream in retirement but may be able to be sold to release funds. This group are also relying on NZ Super for the majority of their income in retirement.

The final 1/5th of the population have significant KiwiSaver balances, significant property ownership, and significant financial, business, and other assets. They are also eligible for NZ Super.

So only a small proportion of people have significant assets outside of KiwiSaver, and for the majority of people (4/5th of the population), their KiwiSaver balances are low. These low balances are due to low contribution rates, by both employees and employers, which reflect the low default contribution rate for employees and the low minimum matching contribution for employers. Labour market characteristics of gender and ethnic pay gaps, and high rates of part-time work among women, further compound the situation by reducing the quantum of the contributions made. A lack of real incentives for non-employees (such as small business owners and other self-employed people) to contribute to KiwiSaver also reduces the potential balances.

KiwiSaver is an important supplement to NZ Super as another retirement asset. For the majority of the population it will be necessary to maintain an existing standard of living. However, KiwiSaver could have a more positive impact on retirement incomes, if contributions were increased and incentives were improved. Options for improvement to the KiwiSaver settings will be more fully explored in our forthcoming paper 'KiwiSaver Opportunities for Improvement'.

Incentives could be considered for people to save more. Most OECD countries provide financial incentives to encourage individuals to save for retirement. These can be tax incentives, which are indirect subsidies provided through the tax code, or initiatives such as matching contributions and fixed nominal subsidies (OECD, 2022). At present, only the latter exist in Aotearoa New Zealand, and these could be improved as previously noted. The potential for tax incentives to provide an increase in retirement savings is an area for further research.

Finally, we recommend closing the data gaps that we have identified, as this would better inform policy advice and support broader research and discussion by academics and the financial services industry.



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