Review of Retirement Income Policies *2025*

TE ARA AHUNGA ORA
Retirement Commission

Te Kāwanatanga o Aotearoa
New Zealand Government

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Foreword by the Retirement Commissioner

Nearly six years ago, I stepped into this role with a clear goal: to shine a light on the economic issues that matter most to New Zealanders as they age.

I wanted to help ensure that our retirement income system is fair, sustainable and trusted, not just for today's retirees, but for future generations as well.

New Zealand's retirement income system has strong foundations. NZ Super is simple and universal, and provides security. KiwiSaver has matured into an important pillar of retirement saving. Compared to many OECD countries, our system is cost-effective and inclusive.

But people's lives are changing. More New Zealanders are living longer, working differently, and facing new pressures around housing and caregiving. These shifts mean we need to continue to check that the system is doing its job, and make improvements where it isn't.

Since I began, we've worked hard to create a strong and consistent platform for advocacy, one that is evidence-based and built on collaboration. Through the 2022 Review of Retirement Income Policies, the 2024 Super Summit and our ongoing work on KiwiSaver, we've focused on what really matters: making the system work better for everyone.

That means looking at the big picture, listening carefully, and being willing to challenge the status quo when needed.

This 2025 review responds to the Terms of Reference set by the Government, and reflects the voices of older New Zealanders, the insights of experts, and the values that underpin our retirement income system.

It is shaped by a belief I've held from the beginning of my term that retirement income policies must be guided by evidence and long-term thinking. This provides our political leaders with an opportunity to agree to work together and tackle the issues in a systematic way. The Retirement Commission was born out of a period of policy instability, and we know the lost opportunities that can arise as a consequence.

The Super Summit showed that although people may have different views, there is broad agreement on the need for stability, dignity and mana in retirement. It also highlighted the importance of cross-party dialogue, something I have also called for.

Our work on KiwiSaver has also been focused and deliberate. We have identified real gaps in outcomes, especially for women, Māori, Pacific Peoples and the self-employed. We are pushing for better employer practices, stronger government contributions, and more inclusive enrolment settings.

These are not new ideas. They build on the 2022 review and the summit's findings. What is new is the need to start preparing for change now.

Ultimately, we need a long-term political accord with all the major parties to focus on providing certainty for future generations of retirees, and to encourage sound decision-making and stop piecemeal policy change.

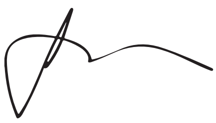
That is why this review recommends developing a 10-year roadmap for the retirement system, a plan that extends beyond political cycles and takes into account multiple lenses, not just fiscal. Decisions, such as whether to change the age of eligibility for NZ Super or make KiwiSaver compulsory, cannot be made without considering the system as a whole.

The issues identified throughout this review are not going away and it is crucial that the political leaders of today work together on long-term solutions.

This review helps pave the way for a practical roadmap for the future. It includes targeted changes we can make now, such as improving KiwiSaver settings and extending support during parental leave. It also proposes reforms to strengthen long-term stewardship and outlines areas for further thinking.

This review is a chance to pause and take stock. It marks how far we have come, and where we need to go next. The chapters ahead provide the detail, but the message is clear. We need to move beyond short-term fixes and commit to long-term stewardship. That means improved governance, inclusive policy and a retirement income system that works for everyone.

Finally, I want to acknowledge the many people who have contributed to this review, in particular Dr Patrick Nolan, Dr Michelle Reyers and Katy Mawson, with support from Dr Jo Gamble, Ben King, Dr Jordan King, and other colleagues at the Retirement Commission. I would also like to thank the independent reviewers of this report, and officials, industry participants, and other stakeholders who have been so generous with their time and advice.



Jane Wrightson

Retirement Commissioner

Summary

Every New Zealander should be able to age with dignity, security and hope. This review sets out a vision for a retirement income system that is fair, sustainable and trusted.

To deliver on this vision, we need to improve how the system is managed and looked after.

Fortunately, New Zealand starts from a strong position. Our retirement income system, which includes NZ Super, KiwiSaver, and other private savings, performs well by international standards. It provides broad coverage, has relatively low fiscal costs and benefits from a younger population than many other countries.

Although the current system is strong, the world is changing. Soon, more than one million New Zealanders will be aged 65 and over. Retirement is also evolving, and the needs of older people are becoming more diverse. It is notable that in 2020 the poverty rate for older New Zealanders (at 16.8%) was above the OECD average (of 14.2%).

The current debate about retirement income is too narrow. It often overlooks the diverse experiences of older New Zealanders and does not fully account for how retirement outcomes vary by gender, ethnicity and employment type.

It also needs to recognise that today's policy settings are not fixed in stone. Future generations will face different challenges and opportunities.

Responding to these changes will require innovation. This includes both how we approach policy reform and how we design financial services that support diverse retirement needs.

A combination of stronger stewardship and innovation will help us build a retirement income system that continues to serve New Zealanders well, now and into the future.

Recommendations

This review presents a practical plan for action for improving New Zealand's retirement income system. It is grounded in expert analysis, public submissions and targeted engagement.

The recommendations reflect where the opportunities to act now are, while also preparing for the challenges ahead.

The first step is to take action where we can make a difference right away.

Eight immediate policy reforms are proposed to address the most pressing gaps in the current system, particularly those affecting groups who have historically missed out or face barriers to participation. They can be implemented quickly, making the system fairer and more effective without requiring major new spending.

In Budget 2025, the KiwiSaver government contribution was halved and a new income threshold to receive it was introduced. This change has especially impacted people with lower incomes, where the government contribution made up 15% to 20% of their total retirement savings at age 65.

Although for most KiwiSaver members government contributions are no longer seen as a primary motivator for participation and only account for a small percentage of their total savings, there is an opportunity to better target support for lower income groups, people on parental leave and temporary visa holders to reduce retirement savings gaps.

Based on Commission modelling, if the Government contributed 50 cents for every dollar saved up to $500 a year, for someone earning $30,000, it would mean an extra $22,000 in retirement savings.

It would also mean the Government could extend its parental leave contribution to provide KiwiSaver members with $1,000, regardless of whether they are still able to contribute during this period.

One possible way to fund this would be to lower the income threshold further for the government KiwiSaver contribution, focusing support where it is needed most without raising overall government expenditure.

This approach would mean that more people would no longer receive the government KiwiSaver contribution, although they would still continue to receive support for their retirement through NZ Super and matched employer contributions to KiwiSaver.

Increases in government revenue could also be considered as a source of funding.

Additional system improvements and innovations are also proposed to make the system easier to use and more responsive to people's needs.

The second step is to ensure that strong stewardship structures are in place.

The review also recognises that lasting progress depends on more than just short-term fixes.

Four recommendations focus on stronger stewardship and a more joined-up approach to managing the retirement income system as a whole. This includes building cross-party consensus, improving coordination across government and industry, and developing a long-term roadmap that sets out a clear direction for the next decade and beyond.

Crucially, the 12 recommendations are designed to work together as a package. Immediate improvements help close current gaps and build trust, while governance reforms and long-term planning ensure that the system remains resilient and adaptable as New Zealand's population and economy change. By sequencing actions in this way, this review aims to deliver both quick wins and enduring benefits, supporting fairness, sustainability and public confidence in the retirement income system.

Some decisions, such as whether to change the age of eligibility for NZ Super or make KiwiSaver compulsory, raise significant questions. We do not support making these changes before the long-term plan is developed. If and when they are considered, a careful approach is crucial to ensure public trust in the retirement income system is protected.

Together, these recommendations invite a broader national conversation about the future of retirement income policies. They call on us to move beyond short-term fixes and commit to long-term goals: fairness, sustainability and trust in the system.

Table 1: Recommendations

Recommendation	Rationale	Who benefits
Step 1: Actions we can take now – targeted policy reforms through reallocation of existing spending on the government contribution		
01 Extend the KiwiSaver parental leave government contribution to $1,000, regardless of whether the member makes contributions	Addresses savings gaps during parental leave, especially for women and caregivers. Current arrangements have very low take-up and low-income earners are underrepresented Estimate $34 million annually	Caregivers or parents on paid leave, most of whom are women. Low- and middle-income earners and the self-employed
02 Increase KiwiSaver government contribution for low income earners	Targets support where it is most needed. Helps those who rely more heavily on government contributions Funded either by lowering income threshold for other workers, or by additional govt funding	Low-income earners, including Māori, Pacific peoples and the self-employed
03 Remove unnecessary KiwiSaver exclusions. Mandate employer contributions for people over 65. Allow those on temporary visas to join KiwiSaver and receive matched employer and government contributions	Reflects the diversity of the workforce $40 million annually (for the provision of KiwiSaver to temporary visa holders)	Older workers (65+), temporary visa holders
04 Ban the use of total remuneration policies in KiwiSaver employer contributions	Total remuneration policies undermine the intent of the scheme. Banning this practice would ensure KiwiSaver contributions are genuinely additional Assumed to have no direct fiscal cost (although some cost to government as an employer where this approach is used)	Employees across all income levels, especially lower-paid workers and those in industries in which total remuneration is common

Recommendation	Rationale	Who benefits
Step 1: Actions we can take now – system improvements and innovations		
05 Work with KiwiSaver providers and supervisors to enrich the regular, anonymised reporting of balances, contributions and withdrawals (including hardship), and improve integration with other administrative data sources	Better data enables smarter policy. Current gaps in KiwiSaver balances and withdrawal data limit the ability to assess savings adequacy and identify emerging risks Minimal costs (potentially funded through reprioritisation)	Policymakers, KiwiSaver providers, researchers, and all New Zealanders who rely on a fair and effective retirement income system
06 Improve KiwiSaver administrative processes, including standardising and optimising hardship withdrawals, and updating payroll systems to better support employer contributions during parental leave	Makes the system easier to use Minimal costs (potentially funded through reprioritisation)	KiwiSaver members in hardship, parents on leave, employers, payroll providers
07 Design and trial sidecar/emergency savings accounts	Reduces reliance on hardship withdrawals, improving financial resilience, and helps maintain KiwiSaver's focus as a retirement savings scheme Minimal costs (potentially funded through reprioritisation)	Low- and middle-income earners, the self-employed
08 Develop a nationally consistent decumulation framework	Supports better drawdown decisions and retirement planning Minimal costs (potentially funded through reprioritisation)	Future retirees, financial advisers

Recommendation	Rationale	Who benefits
Step 2: Long-term system stewardship		
09 Put in place a new retirement income cross-party accord	Taking a system-wide view helps avoids piecemeal decision-making and supports joined-up planning across policy domains	All New Zealanders, especially future retirees, by ensuring the system remains stable and trusted
10 Establish a Parliamentary working group to set the strategic direction for a 10-year retirement income roadmap	Retirement income policy requires long-term planning and broad political support. Establishing a Parliamentary working group will ensure reforms are coherent, inclusive and durable	All New Zealanders, especially future retirees, by ensuring the system remains stable and trusted
11 Establish a pan-sector group, led by the Retirement Commission, to develop and implement the roadmap under the guidance of the Parliamentary group	Includes industry and officials to jointly deliver long-term plans connecting NZ Super, KiwiSaver and private savings	All New Zealanders, especially future retirees, by ensuring the system remains stable and trusted
12 Ensure the 10-year retirement income roadmap addresses KiwiSaver, NZ Super and innovation in retirement planning	Including all key parts of the retirement income system helps coordinate changes, reduces risks of unintended consequences, keeps the system responsive to future needs, and supports long-term public confidence	All New Zealanders, especially future retirees, by ensuring the roadmap is focused, inclusive and aligned with long-term goals

01

Introduction

A system that reflects our values

Retirement income policies are the backbone of a fair and resilient society. They ensure that as people age, they can rely on a system that provides dignity, security and confidence about the future. They provide financial support, protect older people from unexpected financial shocks, and support a decent standard of living in retirement. They also shape how we save, invest and plan for the future.

These principles not only guide policy design but also reflect New Zealand's international human rights obligations. As a state party to treaties such as the International Covenant on Economic, Social and Cultural Rights (ICESCR), New Zealand has committed to upholding the rights to social security and an adequate standard of living. Recognising these rights within the retirement income system provides a stronger foundation for inclusive and equitable policy.

Te Ara Ahunga Ora Retirement Commission (the Commission) has developed a purpose statement to define the retirement income system and clarify the shared roles of government and individuals (Box 1). This statement serves as a framework for testing retirement income policy proposals, including those included in this review.

Box 1: Purpose statement for the 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.

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 healthcare, housing and transport.

Why is this review needed?

The environment for retirement income policies is changing. New Zealand's population is ageing. Work and caregiving patterns are shifting. Home ownership is declining. And KiwiSaver, now nearly two decades old, is maturing. These changes bring new challenges and new opportunities.

This review is conducted every three years by the Retirement Commission, as required by law. It provides the Government with independent advice on how retirement income policies are performing and what changes might be needed.

The review offers a unique opportunity to take a system-wide view. It looks across NZ Super, KiwiSaver and private savings to understand how different parts of the system interact. This joined-up approach helps identify gaps, overlaps and opportunities for improvement.

It also allows us to take a long-term perspective. By looking ahead to the next 25 years, the review explores how demographic, economic and social trends could shape retirement outcomes, and what policy settings will be needed to respond.

The review is grounded in evidence. It draws on data, commissioned research, and input from experts and public submissions (see page 110), including a Youth Parliament Working Group. It also considers lessons from other countries and the lived experiences of older New Zealanders.

What this review covers

The review considers how the system can remain effective in the years ahead. It has been guided by Terms of Reference issued by the Government under the New Zealand Superannuation and Retirement Income Act 2001. These outline the key areas the Commission was asked to examine. The full Terms of Reference can be found on page 104, but in brief, they ask the review to cover:

- How retirement income policies are working. This includes how they've changed since the last review and whether they are meeting their goals. Understanding this helps identify what's working well and what could be improved.
- Long-term trends and risks. The review looks at how changes in population, work, caregiving and housing could affect retirement over the next 25 years. This helps ensure the system stays relevant and affordable.
- What other countries are doing. It draws lessons from international experience to see what New Zealand can learn from others facing similar challenges.
- Women's experiences in retirement. The review explores why women often have lower KiwiSaver balances and how this affects their financial security. This helps identify ways to make the system fairer.
- KiwiSaver and private savings. It looks at how KiwiSaver is performing, such as default settings, contribution rates, fund types and participation by self-employed people. It also considers the role of other private savings and how people use their savings in retirement.
- Government contributions and market impacts. The review assesses whether government contributions to KiwiSaver are well targeted and whether KiwiSaver is causing any unintended effects.
- Governance and policy processes. It considers how retirement income policies are made and reviewed, and how to maintain public trust in the system over time.

“These changes bring new challenges and new opportunities.”

Reading this review

The chapters that follow build a picture of New Zealand's retirement income system: what it is, why it matters and how it can be improved.

Chapter 2 explains why we have retirement income policies. It sets out the principles that underpin the system, including the need to support saving, reduce poverty and protect people from financial shocks.

Chapter 3 explores the evolution of New Zealand's retirement income policies, and examines how preferences vary across the population and how trust plays a central role in maintaining public confidence in the system.

Chapter 4 looks at long-term trends like population ageing, changes in work and caregiving, and declining home ownership. These trends are reshaping retirement and creating new challenges for policy.

Chapter 5 considers how New Zealand's retirement income system compares internationally. It looks at how our system performs in terms of demographics, fiscal cost, poverty reduction, and design. It also draws lessons from other countries on reform.

Chapter 6 looks at gaps in the current system. It examines how gender, income, ethnicity and employment type affect retirement outcomes. It highlights challenges faced by women, Māori, Pacific Peoples, renters and the self-employed.

Chapter 7 examines how KiwiSaver shapes saving behaviour and financial markets. It also highlights how emerging innovations like fintech tools, iwi-led schemes and decumulation products are reshaping retirement saving.

Chapter 8 considers how retirement income policies are made and how to build public trust in the system.

Chapter 9 sets out the review's recommendations. These are grouped into two categories: targeted changes that can be implemented now, and actions to guide long-term system stewardship.

As well as the material in this report, supporting documents provide more detail for readers who want to explore the evidence base in depth. A list of these documents can be found on page 108 of this report.[1]

1 This material can also be found on the Commission website at **retirement.govt.nz/rrip2025**

The system today

Why we have retirement income policies

Retirement income policies are about more than just money. They reflect our values as a society. They are based on a social contract or the idea that society has a duty to support people in later life, especially when they are no longer in paid work. In return, individuals contribute to the system through work (both paid and unpaid), taxes and savings. This shared responsibility helps build trust and fairness across generations.[2]

Retirement income policies also serve practical purposes. They support people in maintaining a stable standard of living as they age, by smoothing their consumption over time, through both individual savings and collective support. People can save during their working years and draw on those savings in retirement. Government-provided income, funded through taxes, also plays a vital role. This supports financial independence and gives people more choice and control over how and when they retire.

One of the most important roles of retirement income policies is to reduce poverty among older people. Not everyone is able to save enough during their working life. Some people have had low wages, time out of paid work, or limited access to savings schemes. Without support, they may face hardship in retirement. By providing a basic income, policies like NZ Super help ensure that all older New Zealanders can meet their essential needs. This helps people stay connected to their communities. It reduces the risk of isolation, poor health and other challenges that can come with financial insecurity.

Another vital role is to protect people from financial risks that can threaten their wellbeing in later life.[3] These include:

- Longevity risk: the risk of outliving savings.
- Inflation risk: the risk of prices eroding the value of savings.
- Market risk: the risk of adverse market movements or poor investment performance.
- Liquidity risk: the risk of not being able to access money when needed.

Retirement income policies like NZ Super help manage these risks by spreading them across the population and offering a safety net. Financial advice can also play a vital role in helping people navigate these risks.

A well-designed retirement income system can support economic growth. It gives people a stable income in retirement, which helps maintain spending. It also encourages long-term saving, which can be used to fund productive investments.[4] This supports jobs, innovation and a stronger economy over time.

2 Fairness can be defined in many different ways. For a discussion, see Katz & Hogan (2024).

3 Barr & Diamond (2006).

4 International Monetary Fund (2025).

How the retirement income system fits together

The Commission's purpose statement for the retirement income system highlights how a stable retirement income framework enables older New Zealand residents to 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. Each component of the system plays a role in achieving these objectives:

- KiwiSaver and other private savings help individuals accumulate assets and maintain their pre-retirement standard of living.
- NZ Super provides a universal safety net, ensuring a basic income for all retirees.
- Other transfers, like the Accommodation Supplement, address specific financial needs, such as housing costs.
- The New Zealand Superannuation Fund helps pre-fund future superannuation costs, ensuring the system's sustainability.

KiwiSaver

KiwiSaver is a work-based savings scheme designed to help New Zealanders save for retirement. It was introduced in 2007 and features automatic enrolment for new employees, with the option to opt out. Contributions come from employees, employers and the government. Employees contribute a minimum of 3% (increasing to 4%) of their gross salary, employers match this with at least 3% (increasing to 4%), and the Government provides an annual contribution of up to $260.72, recently halved from the previous rate.

Other private savings, including Iwi-led savings schemes

In addition to KiwiSaver, New Zealanders save for retirement through other private savings vehicles such as cash, shares, property, and managed funds. Iwi-led savings schemes, like the Whai Rawa (Ngāi Tahu) and Ka Uruora (Te Atiawa and Taranaki iwi) schemes, also provide tailored financial education and savings opportunities for Māori, helping to address specific needs.

NZ Super

NZ Super is a universal public pension available to all eligible residents aged 65 and over. It is funded through general taxation and aims to provide a basic level of income to ensure an adequate standard of living for retirees. NZ Super is not means-tested, meaning it is available to all people over 65 who meet the residency requirements, regardless of their income or assets. NZ Super is adjusted annually (indexed) to account for increases in the cost of living (inflation) and changes in average wages, ensuring that payments keep pace with wage growth and maintain retirees' purchasing power. This provides a safety net for all retirees.

Other government transfers

In addition to NZ Super, people aged 65 and over can access a small number of other benefits. These include targeted and universal programmes.[5] The Accommodation Supplement is a means-tested benefit that helps low-income individuals and families with their rent, board or mortgage payments. This supplement is important for people who face high housing costs in retirement. Special Needs Grants offer targeted support for urgent or unexpected expenses. The Winter Energy Payment is a universal benefit aimed at helping older adults cover their heating costs during the colder months.

5 A fuller list of the other benefits received by the over-65 population can be found in King J. (2025).

New Zealand Superannuation Fund

The New Zealand Superannuation Fund (the NZSF) was established in 2001 to partially pre-fund the future cost of NZ Super.[6] The NZSF aims to smooth the future cost of providing NZ Super by accumulating assets to help pay for the increasing cost of superannuation. The fund is expected to start making withdrawals in around 2028.

Tax treatment of retirement savings

Retirement savings in New Zealand follows a TTE (Taxed-Taxed-Exempt) model. Contributions to retirement savings are made from after-tax income, investment earnings are taxed, but withdrawals in retirement are tax-free. The taxation of some investment earnings is concessionary. For instance, Portfolio Investment Entities (PIEs) are a type of investment vehicle that offers tax advantages for investors. PIEs are taxed at a maximum rate of 28%, which can be lower than an individual's marginal tax rate.

Changes since the last review

Since the 2022 Review of Retirement Income Policies, there have been several changes to policy, with a key focus on enhancing KiwiSaver.

"A key focus on enhancing KiwiSaver."

As part of Budget 2025, the Government announced changes to KiwiSaver settings. From 1 July 2025, the government contribution reduced from 50 cents to 25 cents for every dollar contributed by a member, with the annual cap halving from $521.43 to $260.72. At the same time, people earning more than $180,000 a year are no longer eligible for the government contribution.

Default employee and employer contribution rates will gradually increase. From 1 April 2026, the default rate will rise from 3% to 3.5%, and then to 4% from 1 April 2028. This increase in contribution rate reflects earlier recommendations of the Commission.

Young people will also benefit. From 1 July 2025, 16- and 17-year-olds will become eligible for the government contribution, and from 1 April 2026, they will also be eligible for employer contributions if they are working and contributing.

In 2025, the KiwiSaver Act was amended so that young people under the age of 16 can enrol in KiwiSaver, provided one of their guardians' contracts directly with a provider in the name of the young person. Previous enrolment rules posed challenges for solo parents in situations when it was difficult to secure the agreement of a former partner.

Since 1 July 2024, the Government has also been contributing 3% of parental leave payments to KiwiSaver accounts for recipients on paid parental leave, provided they make their own contribution of at least 3%.

The New Zealand Superannuation and Retirement Income (Controlling Interests) Amendment Act 2024 was also introduced to allow the New Zealand Superannuation Fund (the NZSF) to take a controlling interest in an entity. The aim was to give the NZSF the potential to access a wider group of investment partners and opportunities, particularly in New Zealand. This could attract institutional investors and deepen capital markets for domestic transactions.

Earlier amendments to the New Zealand Superannuation and Retirement Income (Fair Residency) Amendment Act 2021 also came into effect. These included changes to residency requirements, gradually increasing the residency requirement from 10 to 20 years starting in July 2024.

6 Bell (2021).


03

How we got here

New Zealand's retirement income policies have developed over time in response to changing social, economic and political conditions. Understanding this history helps explain how the current system came to be and why certain features have taken root.

A legacy of simplicity

From the old-age pension introduced in 1898 to the creation of KiwiSaver in 2007 and beyond, New Zealand's retirement income policies have evolved in response to changing social and economic conditions.

Early foundations

New Zealand was among the first countries to introduce a state-funded old-age pension. The 1898 Old Age Pensions Act provided modest income support to older citizens who met residency and character requirements. However, eligibility was denied to Chinese and other Asian applicants, regardless of citizenship status. The inclusion of Māori land in the property test also meant that most Māori received less than the full rate.[7]

Although the pension excluded some, it marked an important extension of state involvement in supporting older people. It extended the principle of collective provision, laying the foundation for a broader social contract that would evolve over the following century.[8]

The first Labour government in the 1930s expanded the pension system, introducing a means-tested age benefit at age 60 and a universal pension at age 65. The means-tested benefit aimed to prevent poverty, while the universal pension recognised age and citizenship as the basis for support.[9]

These reforms marked a shift toward a more inclusive welfare state, embedding retirement income policies within a broader framework of social protection. They also laid the foundation for New Zealand's distinctive approach, one that prioritised universal coverage and simplicity over earnings-related entitlements.[10]

NZ Super in the 1970s

In 1975, the Labour government introduced a compulsory, earnings-related savings scheme. This was dismantled by the incoming National government in 1976. In its place, National introduced a non-means-tested pension (NZ Super) in 1977, payable from age 60.

This move was politically popular and provided a substantial windfall gain to older cohorts. The decision allowed the Government to offer immediate benefits to retirees while avoiding the complexities of a contributory system. As a result, New Zealand diverged from the international trend toward dual mandatory pension structures that combine basic and earnings-related tiers.[11]

7 McKenzie (2024).
8 McClure (1998).
9 McClure (1998).
10 Overbye (1996).
11 Overbye (1996).

Tax reform in the 1980s

In the 1980s, the Government undertook major tax reforms that reshaped the retirement income landscape. One significant change was the shift from the internationally common EET model (Exempt contributions, Exempt earnings, Taxed withdrawals) to a TTE model (Taxed contributions, Taxed earnings, Exempt withdrawals).[12]

This aligned retirement savings with broader tax principles, and simplified administration. However, it also removed tax incentives for saving, which contributed to a decline in occupational pension schemes, particularly defined benefit plans, and may have shifted saving preferences away from financial assets towards housing.[13] There was also a global shift away from 'defined benefit' to 'defined contribution' pension schemes.[14] Many employers closed or converted their schemes, and the responsibility of saving shifted more heavily to individuals.

In response to fiscal pressures and demographic change, the mid-1980s also saw the introduction of a surcharge on other income for NZ Super recipients.

These developments reflected a broader shift in public and political thinking – from state-led provision to a greater emphasis on personal responsibility.

> **“Policies have evolved in response to changing social and economic conditions.”**

The 1990s Accord

The 1990s brought further reform, including the gradual increase in the age of eligibility for the universal state pension back to 65 from 60, legislated in 1992 and phased in over a decade. Although these changes helped manage spending, they were politically contentious and prompted calls for greater policy stability.[15]

In 1993, a cross-party Accord was signed by National, Labour and the Alliance.[16] It accepted the main elements of the reforms and established the Retirement Commission and the requirement for periodic reviews. The Accord reflected a shared recognition that retirement income policies required long-term consensus to maintain public trust.[17]

The surcharge was eventually removed in 1998, and the Accord eventually broke down, although the Commission and the requirement for periodic reviews remained.

12 Coleman (2025).
13 Coleman (2025).
14 Te Ara Ahunga Ora Retirement Commission (2021a).
15 Harris (2012).
16 St John (1999).
17 Todd (2008).

The New Zealand Super Fund and KiwiSaver

In the early 2000s, growing concerns about low private savings and the long-term adequacy of retirement income prompted a renewed focus on sustainability and intergenerational fairness.

In response, the Labour-led government established the New Zealand Superannuation Fund in 2001 to help pre-fund future NZ Super payments and manage the fiscal impact of population ageing.

In 2001, NZ Super was also removed from the Social Welfare (Transitional Provisions) Act 1990 and established under its own legislation, the New Zealand Superannuation and Retirement Income Act 2001. This recognised the importance of NZ Super as a standalone entitlement.

KiwiSaver was also introduced in 2007 as the world's first national, auto-enrolment, opt-out and portable retirement savings scheme.[18] It marked a shift from reliance on universal pensions alone to a growing interest in personal responsibility and long-term saving.

Box 2: The purpose of KiwiSaver

The purpose of KiwiSaver is outlined in section 3 of the KiwiSaver Act 2006:

1. The purpose of this Act is to encourage a long-term savings habit and asset accumulation by individuals who are not in a position to enjoy standards of living in retirement similar to those in pre-retirement. The Act aims to increase individuals' well-being and financial independence, particularly in retirement, and to provide retirement benefits.
2. To that end, this Act provides for schemes (KiwiSaver schemes) to facilitate individuals' savings, principally through the workplace.

This law makes it clear that KiwiSaver is meant to support people in retirement. It especially targets people who are unlikely to have the same standard of living after they stop working.

This includes most people who have worked at some point in their lives, but perhaps not the very wealthy (who can manage their own retirement savings) or people who have relied on government benefits for long periods (as their income may already be more stable before and after retirement due to NZ Super).

There's also a balancing act for people on lower incomes: should they spend their money now to maintain their current lifestyle, or save it for retirement?

Because KiwiSaver is mostly based on workplace contributions, it reflects the inequalities in the job market. People who earn less or work fewer hours will likely end up with smaller KiwiSaver balances than those who earn more or work full-time.

18 O'Connell (2009).

The scheme was designed to:

- Encourage long-term saving through automatic enrolment and default settings.
- Support financial independence in retirement by supplementing NZ Super.
- Promote shared responsibility through member, employer and government contributions.
- Provide flexibility through voluntary contributions and fund choice.

Government support has reduced over time. Initially, KiwiSaver included:

- A $1,000 kick-start payment (removed in 2015).
- An annual member tax credit of up to $1,042.86 (halved in 2012 and halved again in 2025).
- An employer tax credit that reimbursed contributions at a rate of 100% up to $20 per week (removed in 2009).
- A $40 annual fee subsidy (removed in 2009).
- An exemption from Employer Superannuation Contribution Tax (ESCT) for employer contributions up to a maximum of 4% of the employee's gross pay.[19]

These incentives were originally designed to encourage enrolment, particularly among low- and middle-income earners. But as KiwiSaver has matured, with auto-enrolment now covering most employees, governments have concluded that the need for subsidies to drive participation has diminished.

Without a clear purpose for government contributions it is possible that future governments may remove them entirely. This would be unhelpful for those who can only amass modest savings throughout their working lives because the government contribution makes up a significant portion of their final KiwiSaver balance.

Although participation remains high, challenges persist around the adequacy of contributions and lower engagement of some groups, such as the self-employed.

Box 3: Who benefitted from KiwiSaver government contributions?[20]

Analysis showed that in terms of retirement outcomes, the government contribution to KiwiSaver disproportionately benefitted low- and middle-income earners.

Before the changes in the 2025 Budget, the government contribution accounted for around 20% of the final KiwiSaver balance for low-income earners over a working life. For a median earner, the figure was 10% and for high-income earners, it was less than 5%.

Despite its broad reach, with two-thirds of members receiving a full or partial contribution in 2024, the scheme was less accessible to people on very low incomes, the self-employed and residents in high-deprivation regions.

Self-employed people were 6.3% of members and received 5.5% of the government contribution, while employees were 73% of members and received 90% of the government contribution. Other income types (eg, hybrid and passive) made up the remainder.

Women were less likely than men to receive the full contribution, reflecting disparities for women linked to lower-paid, part-time and unpaid caregiving roles.[21]

19 Gibson, Hector & Le, (2009).

20 Reyers & Mawson (2025a).

21 Chen & Baddeley (2025a).

Budget 2025

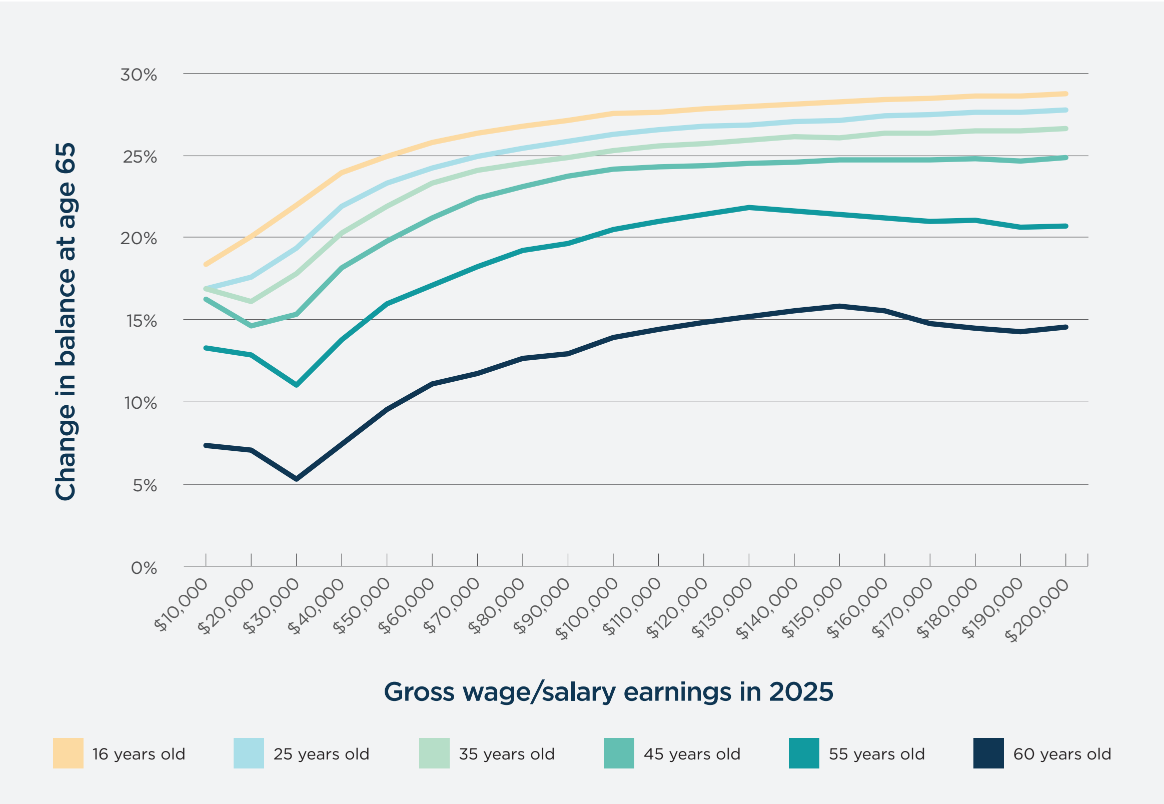
The Budget 2025 changes to KiwiSaver represent a recalibration of the scheme's settings. The goal of these reforms was to improve long-term outcomes for most members while reducing the fiscal cost of government contributions. For around 80% of contributing members, particularly salary and wage earners, the phased increase to 4% in employee and employer contribution rates is expected to offset the reduction in government support, resulting in higher balances at retirement.[22]

However, the changes also present distributional challenges. Around 20% of contributing members are expected to have lower retirement savings than under previous settings. This includes many self-employed individuals, and people who already had member and employer contributions of 4%.[23]

For example, self-employed members, who typically receive only the government contribution, could see their balances fall by up to 17% over a 40-year period. Low-income earners may also be disproportionately affected.[24]

> **"Budget 2025 represents a recalibration of KiwiSaver settings."**

Figure 1: Percentage change in KiwiSaver balance at age 65 for members where contributions increase from 3% to 4%



Source: Reyers & Mawson (2025b).

22 Reyers & Mawson (2025b).
23 Reyers & Mawson (2025b).
24 Reyers & Mawson (2025b).

Public preferences: what do New Zealanders value?

Researchers from the University of Otago explored what New Zealanders think about retirement income policy.[25] In 2014 and again in 2022, they ran large-scale surveys that asked people to weigh up different features of the retirement system, like when NZ Super should start, whether it should be universal and how it should be funded. By asking participants to make trade-offs between these options, the researchers were able to see which features mattered most and how preferences varied across the population.

Universality of NZ Super, without means-testing, was the most highly ranked feature overall. Despite a slight decline in 2022 compared to 2014, universal access continued to be the most important criteria.

Although simplicity was not explicitly measured, the survey's structure, based on side-by-side comparisons, allowed respondents to engage with different policy features. The consistent prioritisation of universal access and a fixed eligibility age suggested that respondents value clarity and predictability in retirement policy, even if they did not name simplicity directly.

Flexibility, particularly in relation to saving, was the least important criterion in both years. Most respondents placed low value on saving flexibility, and there was limited opposition to a modest compulsory saving scheme. However, support for saving flexibility increased slightly in 2022, suggesting a small shift in attitudes.

Fairness was explored through preferences around means-testing, tax contributions and pension amounts. Although opposition to means-testing remained strong, there was some support for redistributive policies among certain demographic groups. For example, respondents with lower incomes or less confidence in their retirement prospects tended to favour higher pensions, and were more open to means-testing and tax increases.

Trade-offs and sustainability were central to the survey design. Respondents were asked to weigh current versus future tax increases and changes to the age of eligibility. In both years, raising the age of eligibility to 67 attracted significantly less support than increasing taxes to maintain the current age of 65. There was also a preference for raising taxes sooner rather than later to avoid burdening future generations.

Policy preferences varied across the population, but the surveys found that observable characteristics such as age, income and ethnicity explained only a small portion of the variation. Instead, preferences appeared to reflect individual attitudes and expectations about retirement.

Overall, the surveys suggest that despite New Zealanders holding diverse views on retirement income policy, there was broad support for maintaining key features of NZ Super, such as universality and a fixed age of eligibility. Preferences have remained relatively stable over time, with only modest shifts in attitudes toward saving flexibility and tax contributions.

Although surveys like these offer useful insights into what people are currently thinking, they reflect individual views as they are. Another way to explore public opinion is through more deliberative approaches, like sessions at the Youth Parliament or citizens' assemblies, where people are given information and asked to work through the issues together. These kinds of process can show how views shift when people have the chance to learn, discuss and reflect.

“Another way to explore public opinion is through more deliberative approaches.”

25 Coleman, Noviarini & Sullivan (2023).

The role of trust and engagement

Trust is the foundation of retirement income policies. People plan for decades based on the expectation that the system will be stable and predictable.[26] When trust is strong, people are more likely to participate, save and plan ahead. When trust is lost, even well-designed policies can fail.

This can be seen in international evidence. Individuals are more inclined to make long-term financial decisions when they trust the system's durability.[27] For example, research shows that increased trust correlates with a higher likelihood of holding retirement accounts and investing in stocks.[28] In the Netherlands, even within quasi-mandatory systems, greater trust in pension funds boosts voluntary savings.[29]

Simplicity, consistency and transparency reinforce trust. In New Zealand, NZ Super and KiwiSaver have maintained public confidence thanks to clear rules and stable policy settings. Conversely, sudden or poorly communicated changes can erode confidence, as seen internationally where pension cuts and indexation freezes reduced trust and led to lower voluntary savings.[30]

This shows how trust also depends on how reforms are made.[31] Sudden or poorly explained changes can erode confidence. In contrast, cross-party agreements, such as the 1993 Accord, can help reinforce stability and public support. International experience shows that reforms with short-term costs are more likely to be overturned unless they are well-signalled and broadly supported.[32]

Public engagement plays a key role in maintaining trust. Surveys, focus groups and regular reviews help policymakers understand what matters to New Zealanders. Engagement also helps build consensus around difficult trade-offs. People understand that no system can do everything at once, but they want to be part of the conversation.

Some groups rely on trust more than information. Research shows that people with lower financial literacy and those from marginalised communities may use trust as a substitute for technical knowledge.[33] This makes targeted outreach and clear communication especially important.

Together this reinforces how trust and engagement are not just nice-to-haves. They are essential to the long-term success of retirement income policies. They help ensure that changes are well understood, widely supported and grounded in the values New Zealanders care about.

"Trust and engagement are not just nice-to-haves."

Conclusion

New Zealand's retirement income system has evolved in response to changing social and economic conditions, shaped by both policy choices and public attitudes. Although features like fairness and simplicity have played a prominent role, preferences and values have varied over time and across groups. As the system continues to adapt, maintaining public confidence through inclusive engagement and stable policy settings will be key to its long-term success

26 OECD (2024) and Barr (2000).
27 OECD (2024) and Barr (2000).
28 Haran Rosen, Lusardi & Mitchell (2025).
29 Mangan, Mastrogiacomo, Hochguertel & Goedkoop (2025).
30 Mangan, Mastrogiacomo, Hochguertel & Goedkoop (2025).
31 NEST (2020) and Tompson (2009).
32 Diaz-Gimenez & Saavedra (2024) and Ortiz, Duran-Valverde, Urban & Wodsak (2018).
33 Tenhunen & Kuivalainen (2024) and Reinson, Post & Uusberg (2025).

What's changing?

As the population ages and becomes more diverse, the experiences of and challenges facing older people are changing too. Current trends and future projections shows how demographic shifts, housing pressures and broader social changes are influencing retirement outcomes and raising new questions about whether the system still meets people's needs.

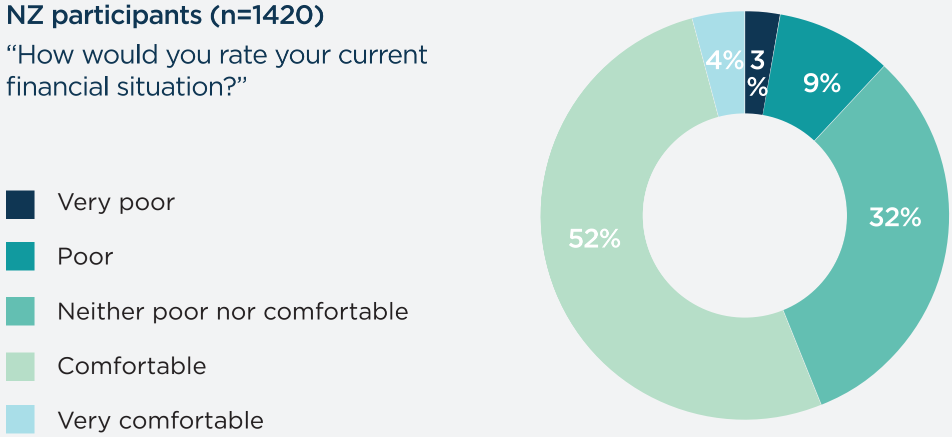
Financial circumstances in later life

Income, work and financial stress

Qualitative research highlights rising financial stress among older people. Many people express concern about living costs, housing insecurity and whether NZ Super is enough to meet their needs. While 56% of older New Zealanders report feeling financially comfortable or very comfortable, 32% feel financially exposed, and a further 12% describe their situation as financially poor, which highlights a growing diversity in retirement experiences.

Figure 2: Perceived financial situation of older New Zealanders

NZ participants (n=1420)
"How would you rate your current financial situation?"



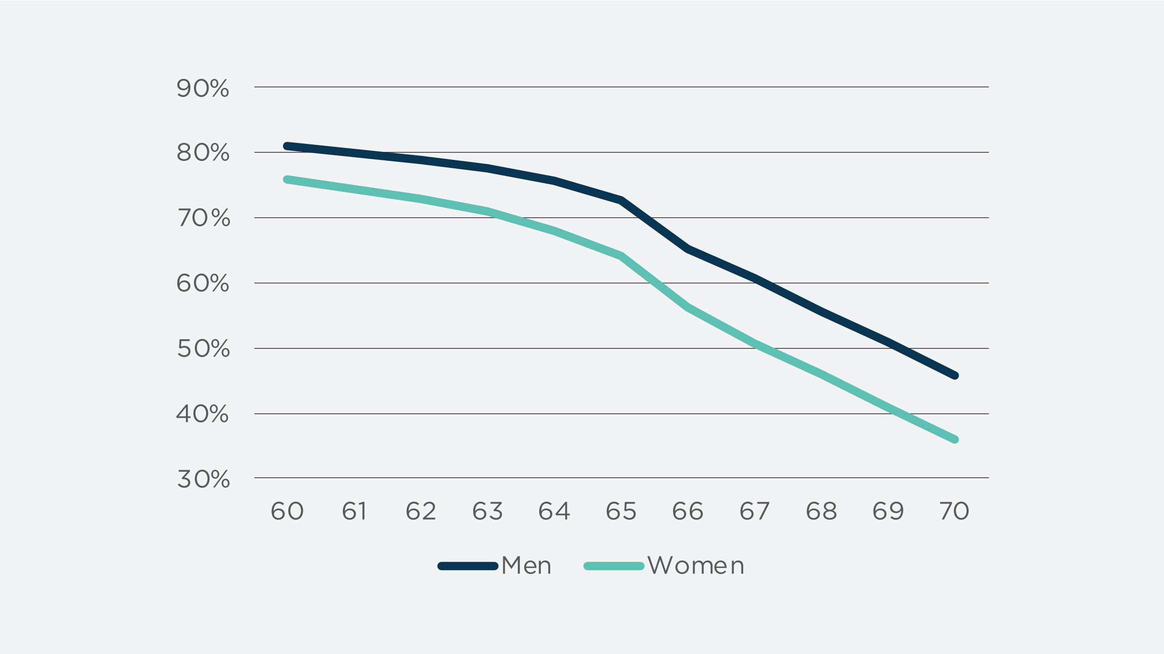
Source: Gamble (2024).

As Perry notes, just over 40% of people aged 66+ in one-person or couple households receive less than $100 per week from non-government sources, with another 20% relying on NZ Super and other government transfers for around 70% of their income.[34] Among one-person households, 64% receive less than $100 per week from non-government sources, compared to 31% of couple households. For many, NZ Super provides stability, but for others, especially renters or people without savings, it may not be enough for a comfortable retirement. An increasing proportion of over 65s are accessing various other benefits to supplement NZ Super.[35]

Treasury analysis identifies three distinct senior household types: those who combine NZ Super with employment and tend to have higher incomes; non-working couples or single households who rely heavily on NZ Super for modest but stable incomes; and non-working seniors in shared households who benefit from cost-sharing but face more complex financial dynamics.[36]

A growing number of older adults are staying in the workforce beyond age 65. Nearly half of people aged 65 to 69 are now in paid work, compared to just 15% at the start of the century. Employment rates decline from approximately 80% at age 60 to around 40% by age 70, with employment rates for men at higher levels that for women across these age ranges.[37]

Figure 3: Employment rate by age and gender



Source: Stephens, Eglinton & Cleveland (2025).

This is driven by several factors, including the desire to stay active and engaged, the need for additional income, and changes in the nature of work that make it possible for older adults to continue working.[38] It also reflects the design of NZ Super, which allows recipients to retain full payments while earning.[39]

One result of more people working past 65 is that income gaps between older households are growing.

34 Perry (2025), p. 26.

35 King J. (2025).

36 Stephens, Eglinton & Cleveland (2025).

37 Stephens, Eglinton & Cleveland (2025).

38 Gamble (2024).

39 Stephens, Eglinton & Cleveland (2025).

Housing tenure and poverty

Housing is also a major driver of wellbeing in retirement. The 'golden assumption' of home ownership, based on the idea that most New Zealanders would retire mortgage-free, has broken down.[40] This shift highlights the importance of housing security for older people. Housing needs to be accessible, safe, dry, warm and culturally appropriate, including options for multigenerational living, as affirmed in international human rights instruments.

Although home ownership among older New Zealanders (65+) has remained relatively stable at around 84% to 86% over the past three decades, the proportion who own mortgage-free has declined from 83% in the mid-1990s to 71% in recent years.[41] Around 13% of older adults are still paying a mortgage, and a similar proportion are renting.

"A 'lost generation' may have missed the market."

Consequently, housing costs are rising as a share of disposable income. Between 2009 and 2024, the proportion of low-income 65+ households spending more than 40% of their income on housing increased from 6% to 11%, with even steeper rises for mortgage payers (23% to 37%) and private renters (51% to 68%).[42]

These pressures are likely to intensify. Among people aged 45 to 64, renting has doubled since the 1990s (from 10% to 23%) while mortgage-free ownership has halved, falling from 60% to 32%.[43]

This points to a future cohort of retirees who are more likely to enter retirement with ongoing housing costs, increasing the risk of financial stress. As Katz noted, even with improved housing policies, a "lost generation" may have missed the market, facing mortgage burdens into retirement or lifelong renting.[44]

Material deprivation rates also reflect this divide. Although material hardship is lower among older New Zealanders than the population as a whole, this average masks inequalities. Material hardship rates vary significantly by tenure. On average from 2019 to 2024, the 'near hardship rate' (using DEP-17 4+) was 3% for homeowners aged 65+ without a mortgage, 12% for those still paying a mortgage, and 31% for private renters receiving the Accommodation Supplement. Rates were also high for renters in social housing, at 36%.[45]

Further, as more people reach the age of eligibility for NZ Super, there is an increasing demand for age-appropriate housing options that allow older adults to 'age in place'.[46] This includes accessible and affordable housing that meets the needs of older adults, such as single-level homes, homes with modifications for mobility impairments, and retirement villages.[47]

40 King J. (2024) and Symes (2021).
41 Perry (2025).
42 Perry (2025), p. 39.
43 Perry (2025).
44 Katz (2025a).
45 Perry (2025), p. 31.
46 Mercier (2025).
47 King J. (2024).

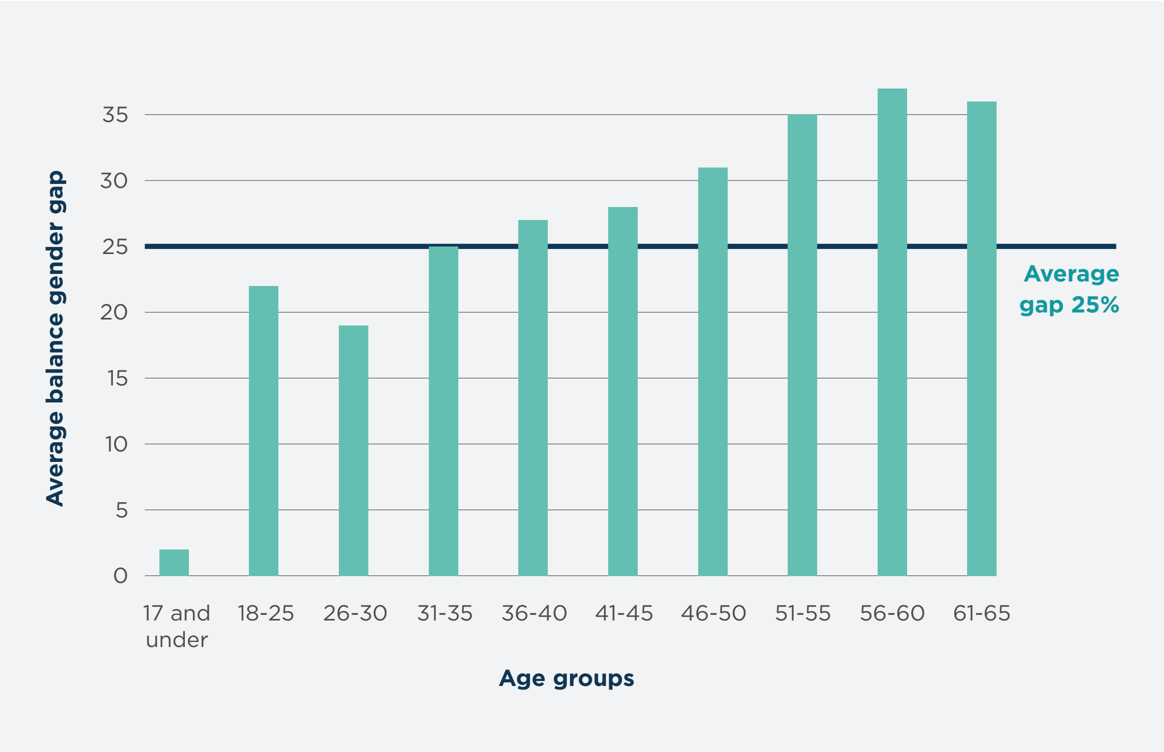
Wealth inequality

Wealth inequality adds another layer.[48] The top 10% of households hold around half of New Zealand's total household net worth.[49] Seniors with mortgage-free homes or substantial KiwiSaver balances enjoy far greater financial security than those without. These disparities are not fully captured in income statistics, making it harder to assess true wellbeing using income alone.

Gender and ethnicity play a role in this. Women tend to have lower KiwiSaver balances due to lower lifetime earnings, part-time work, and caregiving responsibilities. In 2024, men on average had 25% more in their KiwiSaver accounts than women.[50] Pākehā employees contributed around 40% more to KiwiSaver annually than Māori and Pacific employees.[51] Only 47% of Māori aged 65 and over reported having enough to meet their needs, compared to 72% of Pākehā.[52]

These patterns suggest that retirement outcomes vary significantly across different groups, influenced by factors such as lifetime earnings, employment type and access to savings. As KiwiSaver continues to grow in importance within the retirement income system, existing disparities may persist or widen without changes to current policy settings. Monitoring these differences and considering targeted adjustments may help support a more inclusive and sustainable system over time.

Figure 4: 2024 KiwiSaver average balance gender gap by age group



Source: Te Ara Ahunga Ora Retirement Commission (2025).

48 Te Ara Ahunga Ora Retirement Commission (2024c).
49 Te Ara Ahunga Ora Retirement Commission (2024c).
50 MJW (2025).
51 Kirkpatrick, Meehan & Pacheco (2024).
52 Te Ara Ahunga Ora Retirement Commission (2022).

Broader social trends

As the population ages, broader social changes are also shaping what life looks like for older people and what kind of support they need. Key issues are:

- Healthy ageing. This is a critical aspect of ensuring that older adults can enjoy a high quality of life in retirement.[53] It involves maintaining physical, mental and social wellbeing as people age. Access to healthcare services, preventive care and support for managing chronic conditions are essential components of healthy ageing.
- Loneliness and isolation. About one in 10 people over the age of 65 report that they are lonely all or most of the time, a figure that increases to around half of people over 80.[54] This isolation can have severe consequences for physical and mental health, including increased risks of depression, anxiety and cognitive decline.[55]
- Caregiving and support networks. Many older adults rely on family and friends for support, but as the population ages, there may be fewer available caregivers. This is particularly concerning for people who do not have family or friends to support them.
- Dementia and age-related health conditions. The growing number of people living with dementia has implications for the healthcare system and aged care services.[56] Providing adequate support for people with dementia and their caregivers is crucial to ensure dignity and quality of life.

These issues underscore the need to ensure the retirement income system remains effective as the demands on it from the community continue to change.

53 Ministry of Health (2024).
54 Gott (n.d.).
55 Morgan, Wiles, Moeke-Maxwell, Black & Park (2020).
56 Ma'u, et al. (2021).

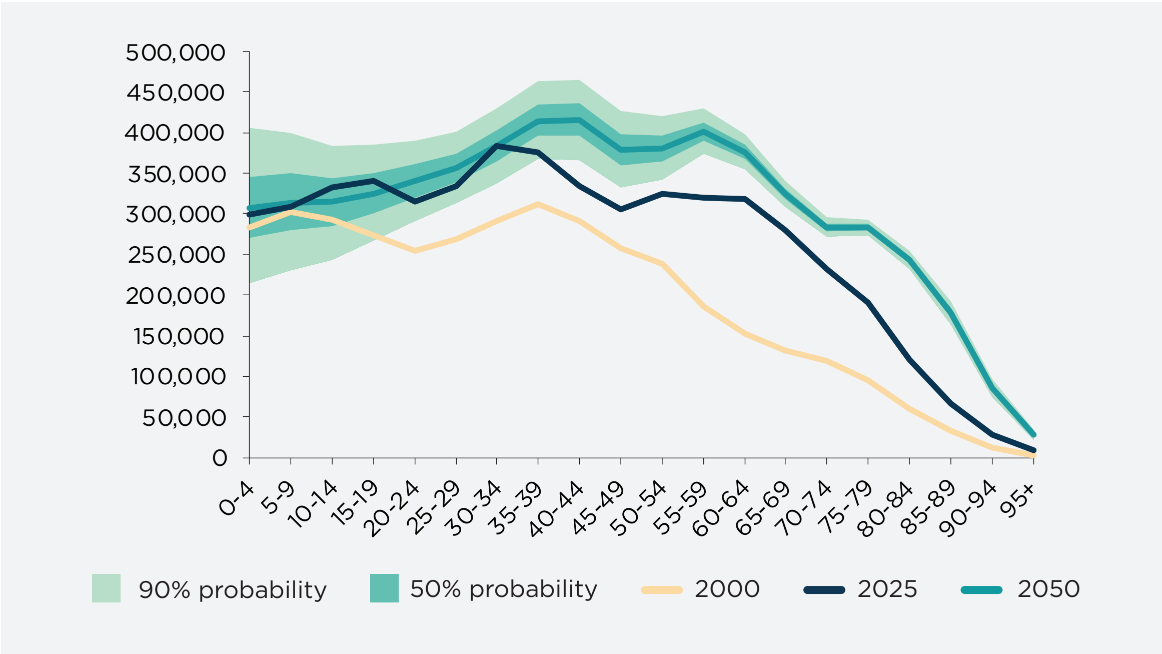
Future trends

As the retirement income system adapts to current pressures, such as changing work patterns and housing challenges, it must also prepare for what lies ahead. Looking forward, several long-term trends are expected to reshape the environment in which retirement income policies operate.[57] These trends reflect deep shifts in New Zealand's population, economy and society that will influence how well the system performs in the future.[58]

Demographic changes

New Zealand, like many other countries, is experiencing significant demographic changes, particularly in terms of population ageing. The proportion of the population aged 65 and over is increasing rapidly, driven by longer life expectancies and declining birth rates.

Figure 5: Population age distribution, 2000, 2025 and 2050



Source: Katz (2025b).

By 2050, the number of people aged 65+ is projected to increase by about 50%, while the number of people under 40 will remain the same as today. Consequently, the old-age dependency ratio, which measures the number of people aged 65 and over per 100 people of working age (20–64 years), is expected to rise from 27.7 to 37.9.[59]

The old-age dependency ratio usually assumes people retire at 65, but as people live longer and work later, that assumption becomes less realistic. However, even when we adjust the retirement age to reflect longer working lives, we see the same overall trend: an ageing population will continue to mean fewer working people per retired person.

This trend is not a temporary phenomenon caused solely by the post-war 'baby boomers'. Although this generation has accelerated the growth of the 65+ age group, the overall trend is driven by sustained reductions in fertility and increases in longevity.

57 Spoonley (2020).
58 Spoonley (2020).
59 Katz (2025b).

New Zealand's birth rate has dropped from about four children per woman in the 1950s to around 1.5 today, with no significant increase expected in the future.[60] As a result, the old-age dependency ratio is projected to nearly double by 2060, placing increasing pressure on the working-age population to support a growing number of retirees.

In addition to ageing, ethnic changes are shaping New Zealand's demographic landscape. The Māori population, which has a younger age profile compared to the European population, is growing steadily. There is also increasing diversity, with more people identifying as Asian and Pacific Peoples. These ethnic changes have implications for retirement income policies, as different groups may have varying needs, preferences and patterns of work, caregiving and housing.[61]

Intergenerational issues

The retirement income system is closely connected to broader questions of intergenerational equity. This reflects the structure of the welfare state, which redistributes resources across the life course by supporting the young through education, the elderly through superannuation and health services, and everyone through shared public goods.

Fiscal incidence analysis shows that older New Zealanders are significant net recipients of government spending, while working-age adults are net contributors.[62] In 2019, the 65–79 age group received over $8 billion more in government services than they paid in taxes, and the 80+ group received over $5 billion more.[63] These net transfers are largely driven by NZ Super and health spending, which are concentrated in older age groups.

This redistribution is not inherently unfair. Indeed, it reflects a deliberate policy choice to support people in old age. But it does raise important questions about sustainability and fairness between generations, especially as demographic pressures grow.[64]

"Ensuring intergenerational equity will require careful balancing."

In recent years, governments have returned to running fiscal deficits. This means that instead of passing on a stronger balance sheet, current policy settings are now shifting more of the cost burden to future generations. The 'implicit debt' created by current pension policies, especially the growing cost of NZ Super, will require future taxpayers to fund a larger share of retirement income and aged care.[65] This could result in higher taxes, reduced public services, or increased debt for younger and future generations.[66]

Ensuring intergenerational equity will require careful balancing, recognising the value of supporting older New Zealanders while also ensuring that future generations are not unfairly burdened before they themselves benefit from pension transfers.

60 Katz (2025a).

61 Katz (2025a) and Spoonley (2020).

62 Wright & Nguyen (2024).

63 Wright & Nguyen (2024).

64 Gill & Hensen (2016).

65 Buckle & Cruickshank (2013).

66 Gill & Hensen (2016), Gill, Gemmell & Grimes (2025), and Treasury (2025).

Productivity and affordability

As New Zealand's population ages, the fiscal cost of retirement income policies will increase. Ensuring the system remains fair and sustainable, for both current retirees and future generations, requires careful consideration of how it is funded.

Economic growth, particularly through improved productivity, can help ease fiscal pressure. A stronger revenue base gives governments greater capacity to meet rising costs such as NZ Super and healthcare, without resorting to higher taxes, reduced services or increased debt. As Jeram noted, "Productivity growth will make NZS – and everything else – more affordable."[67]

Modelling by NZIER highlights the importance of productivity.[68] When productivity growth is strong, governments have more flexibility. When it is weak, choices become more constrained and trade-offs more likely.

However, the relationship between productivity and affordability is complex. Because NZ Super is indexed to wages, higher productivity also leads to higher payments. This ensures retirees share in economic gains, but it also means productivity growth does not automatically reduce NZ Super's cost as a proportion of GDP.

Nonetheless, higher productivity improves overall living standards. Even if the share of GDP allocated to retirement income remains constant, the actual income available to retirees would increase. This helps support older New Zealanders without placing undue pressure on younger generations.

Higher productivity also creates fiscal headroom. It enables governments to maintain current NZ Super settings, invest in public services and support internationally competitive tax rates. It also strengthens the system's resilience to economic shocks and demographic change.

This is particularly relevant given that expenditure on NZ Super is projected to rise from 5.4% to 6.6% gross of GDP by 2050, although this will still be well below the OECD average.[69] To help manage these future costs, the New Zealand Superannuation Fund plays a key role by pre-funding a share of future NZ Super costs. Although withdrawals from the Fund are expected to remain modest until the 2080s, its long-term contribution will be increasingly important in supporting fiscal stability.

Current debate often focuses narrowly on whether NZ Super is sustainable, but sustainability is only one lens through which fiscal policy can be viewed. Fiscal policy also plays a stabilising role by providing income security, and a structural role by shaping how resources are allocated across generations and priorities.[70]

The point here is that the debate needs to be broader than just fiscal sustainability. As Susan St John has noted, affordability is often used as shorthand for concerns that spending on NZ Super may limit other social investments.[71] Similar points were raised earlier by Jeram, who argued the opportunity costs of preserving the model in its current form must be considered.[72] The important question is how we structure choices across tax, spending and investment to support fairness and sustainability.

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67 Jeram (2018).

68 Katz (2025a).

69 International public sector accounting standards recommend reporting government expenditure on a gross basis (including tax), rather than netting off tax receipts. To illustrate the impact of this, in 2024 the Treasury estimated gross New Zealand Superannuation expenditure of 5.4% of nominal GDP in 2025, rising to 6.6% in 2050. On a net-of-tax basis, the figures were 4.5% in 2025 and 5.4% in 2050. After accounting for the contribution of the New Zealand Superannuation Fund, the 2050 figure falls slightly further to 5.3%.

70 Barker, Buckle & St Clair (2008).

71 St John (2025).

72 Jeram (2018).

Conclusion

New Zealand's retirement income system will evolve as the population ages and becomes more diverse. Outcomes for older people vary depending on housing, income and assets. NZ Super offers a stable base, but it can be insufficient, especially for renters and people without savings.

More people are working past 65, which supports income and independence; however, not everyone can or wants to. At the same time, issues like loneliness and age-related health conditions are becoming more common, affecting wellbeing and increasing demand for support.

Demographic change is reshaping retirement. Longer lives and lower birth rates mean more older people and rising costs, with fewer working-age people to support the system. This raises questions of intergenerational fairness.

Productivity growth can ease fiscal pressure and lift living standards but won't automatically reduce retirement costs, especially with NZ Super indexed to wages.

Together, these trends highlight the need for a retirement income system that can adapt to changing circumstances, one that supports older people while remaining fair and resilient for future generations.


05

Global comparisons

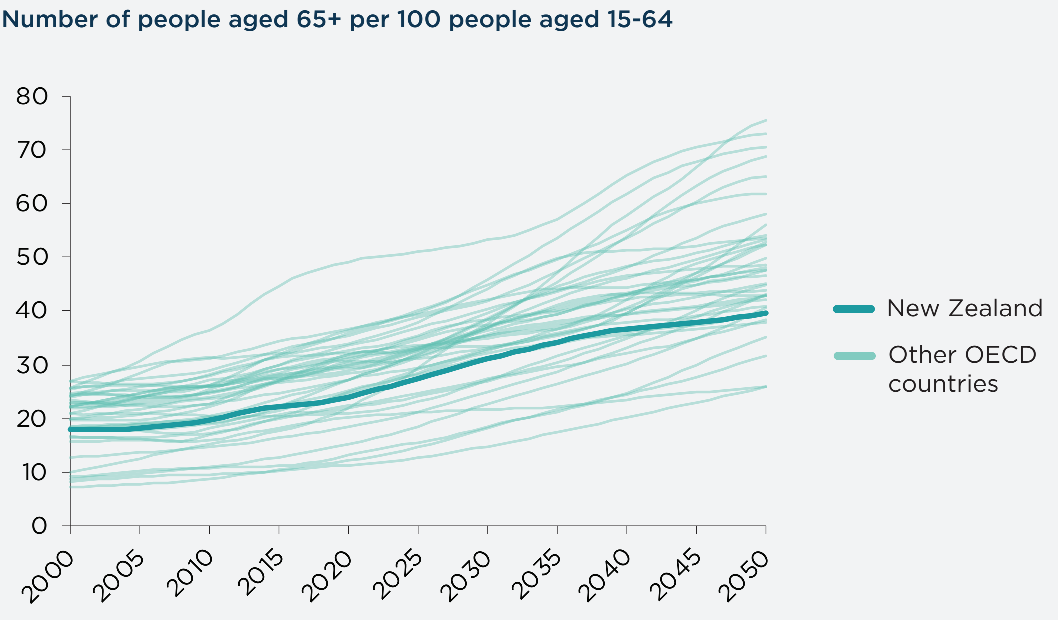
New Zealand is not alone in facing a changing context for retirement. Across the world, reform is being driven by a common set of pressures: ageing populations, rising fiscal costs, shifting work patterns and widening disparities in retirement outcomes. Although New Zealand's demographic profile and policy settings are distinctive, these global trends offer valuable lessons. Understanding how other countries are responding to similar challenges can help inform New Zealand's approach.[73]

How New Zealand compares

Demographics

New Zealand's population is ageing, but the pace of change is slower than in many other developed countries. The old-age dependency ratio is projected to increase from 27.7 to 37.9 by 2050, which remains below the OECD average.[74] In contrast, countries such as Italy and Japan are facing much steeper increases, with Italy expecting 41% of its population to be aged 65 or older by mid-century. This demographic profile gives New Zealand a window of opportunity to plan and adapt; however, the shift is still substantial. The number of people aged 65 and over is expected to grow by around 50% by 2050, whereas the working-age population will expand more slowly.

Figure 6: Old-age dependency ratios of OECD countries, 2000–2050



Note: The projections in this figure are from the UN World Population Prospects, and the UN projection for New Zealand differs slightly from the median Stats NZ projection.

Source: Katz (2025a).

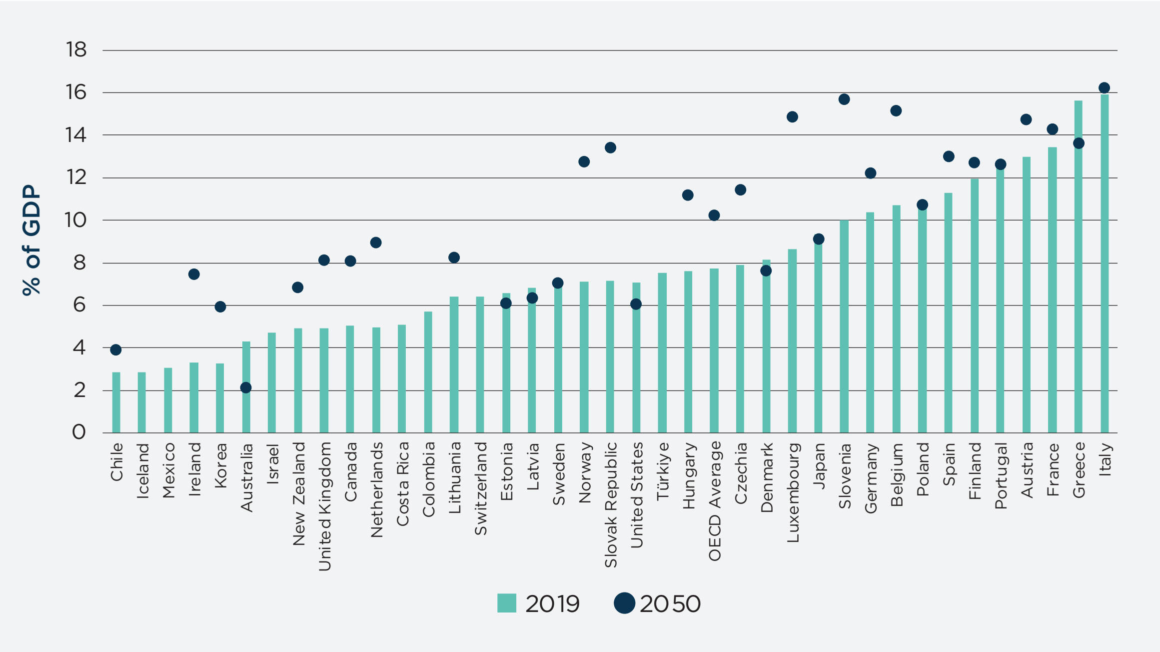
73 Rose (1991).

74 The old-aged dependency ratio is a widely used measure. It shows the number of individuals aged 65 or older per 100 people of working age, defined as those aged between 20 and 64 years old (OECD, 2023).

Fiscal cost

According to OECD projections, New Zealand's public pension spending will remain below most other OECD countries. By 2050, gross expenditure on NZ Super is expected by the OECD to be around 6.8% of GDP, compared to the OECD average of 10.2%. Italy and France are projected to spend over 15% of GDP on pensions, while Germany and Austria are expected to exceed 12%.[75] This reflects New Zealand's relatively favourable demographic profile and the simplicity of its pension design.

Figure 7: Public expenditure on pensions for OECD countries, 2019 and 2050



Source: Katz (2025a).

Countries have adopted different approaches to managing fiscal cost:

- Australia maintains low public pension spending through a mix of means-tested Age Pension payments and compulsory superannuation savings. The system is largely pre-funded through mandatory employer contributions, which help reduce future fiscal pressure. However, it relies heavily on tax concessions to encourage saving, many of which disproportionately benefit higher-income earners. These concessions are now estimated to cost as much as the Age Pension itself and are a source of considerable complexity.[76]
- Singapore operates a fully funded system through its Central Provident Fund (CPF), which covers retirement, housing and healthcare. Contributions come from both employers and employees, and for people under age 55, employers contribute 17% and employees 20%. CPF savings are invested by the CPF Board in Special Singapore Government Securities that are issued and guaranteed by the Singapore Government.[77] Although this model ensures fiscal sustainability and avoids large public pension spending, it raises concerns about adequacy, particularly for lower-income earners who may struggle to save enough. Initiatives such as the Workfare Income Supplement help mitigate these gaps.

75 Katz (2025a).

76 Katz (2024).

77 Central Provident Fund (2025).

- The Netherlands combines a flat-rate public pension with occupational pensions that cover nearly all employees. These are funded through employer and employee contributions and managed collectively, often by sector-wide pension funds. The system delivers high replacement rates and strong retirement outcomes, but relies on complex governance and collective decision-making that may be difficult to replicate.
- The United Kingdom offers a mixed model, with a contributory state pension and voluntary workplace savings.[78] The state pension is adjusted annually using a triple-lock mechanism, which increases payments by whichever is highest: inflation, wage growth or 2.5%. This helps maintain purchasing power, but has drawn criticism for being unpredictable and fiscally costly. The United Kingdom's overall replacement rate is below the OECD average, and adequacy remains a concern. Auto-enrolment has increased coverage, yet gaps remain, particularly for low-income and part-time workers.

System design

Retirement income systems vary widely across countries, but most combine public pensions with private savings. New Zealand's system is anchored by two core components: NZ Super and KiwiSaver.

NZ Super has one of the highest coverage rates among OECD countries. Its simple eligibility rules and flat-rate payments make it easy to access, especially for people with low lifetime earnings or irregular work histories. This contrasts with countries in which pension entitlements are closely tied to employment history and earnings, and where gaps in coverage are more common.

KiwiSaver has achieved high participation rates among employees, with around 90% of eligible paid workers contributing.[79] However, contribution rates are modest by international standards. Most employers contribute only the minimum 3%, and total contributions amount to roughly 2.3% of GDP, well below the levels seen in countries like Australia.[80]

One of New Zealand's defining strengths is simplicity. NZ Super is straightforward to understand and administer, and its universal nature supports trust and predictability. KiwiSaver's default settings, such as automatic enrolment and standard contribution rates, make it easy for individuals to participate without needing to make complex financial decisions. This simplicity has helped foster public confidence.

However, simplicity can involve trade-offs.[81] Flat-rate benefits may not meet the needs of people with higher living costs, especially renters or people without private savings. And because KiwiSaver is voluntary, some groups, such as part-time workers, the self-employed, caregivers and people in insecure work, may miss out on long-term savings.

Retirement income adequacy

A key measure of a retirement income system's effectiveness is whether it delivers an adequate income in retirement. One common benchmark is the income replacement rate, which is the proportion of a person's pre-retirement income that is maintained after they retire.

Target replacement rates of 70% are often used to assess retirement savings adequacy but are at best an approximation. Work carried out by the Pensions Commission in the United Kingdom suggested that an adequate income that maintains living standards would be close to 70% of a median earner's pre-retirement earnings; for those on low incomes, it would be nearer to 80%, whereas high income earners would require a replacement rate of approximately 50%.[82]

78 Morrissey (2025).

79 Te Ara Ahunga Ora Retirement Commission (2024b).

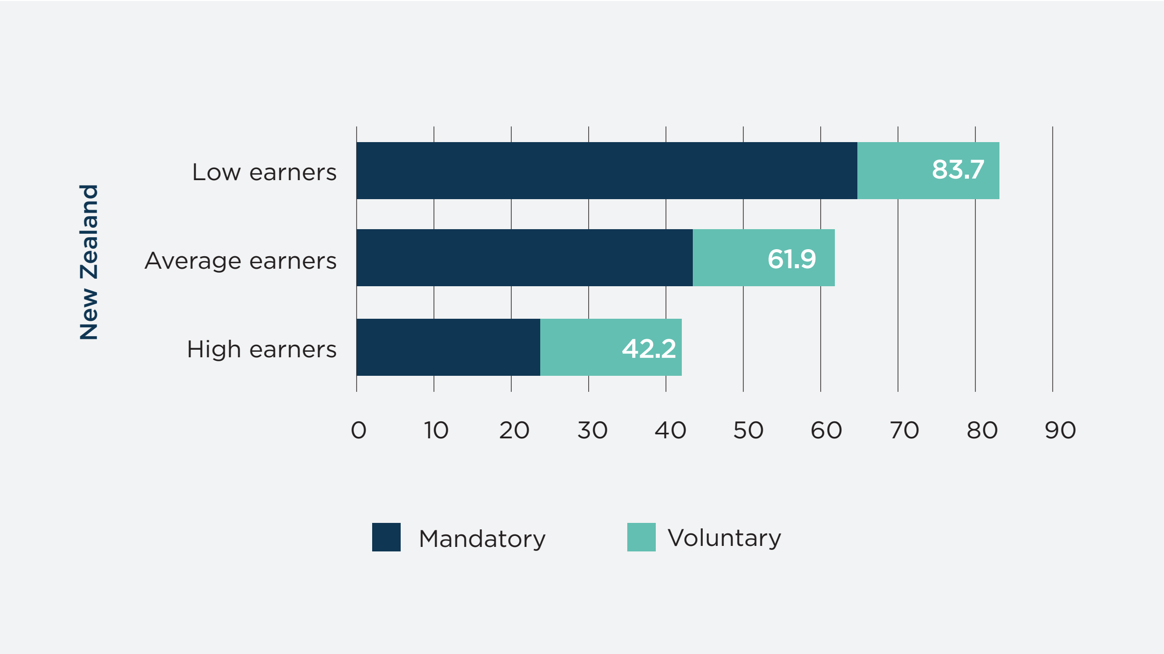
80 OECD (2022).

81 Nolan (2018).

82 Finch & Gardiner (2017).

Across the OECD, the average net replacement rate for an average earner from mandatory schemes is 61.4%, rising to 66.9% when voluntary schemes are included. There is significant variation across countries – for example, the Netherlands achieves over 90%, while the United Kingdom sits at 55%.[83]

Figure 8: New Zealand net replacement rates



Source: OECD (2023).

Before the changes made to KiwiSaver contributions in the 2025 Budget, after a full career, a New Zealand worker with average earnings had a net replacement rate of 62%, while low earners had a 84% replacement rate and high earners a 42% replacement rate.[84] As shown in Figure 8, NZ Super makes up a large share of retirement income for low earners and still plays a significant role for average earners, contributing over 70% of their retirement income. High earners are more likely to have other assets and investments to draw on.

The 2025 Budget introduced higher default contribution rates, 4% from both members and employers, which will generally improve retirement income adequacy. Modelling by MJW for the Commission indicated that this level of contribution could deliver a 70% replacement rate for a median earner over a full career.[85]

More recent modelling suggests that 5% contributions from members and employers may be needed to achieve replacement rates above 80% for median earners in a balanced fund.[86] However, 4% contributions from both may be sufficient if invested in a growth fund, which nearly half of KiwiSaver members are currently using.[87]

These projections assume uninterrupted contributions. Gaps in contributions, first home withdrawals, hardship withdrawals or early retirement will all lead to lower replacement rates. In such cases, individuals may need to contribute more or work longer to achieve adequacy, although this may not be feasible for everyone.

83 OECD (2023).

84 OECD (2023). Note: low earners earn 63% of the average earner in New Zealand to account for the minimum wage level. High earners earn 200% of the average earner.

85 This work informed the recommendation that the Retirement Commission made to government to introduce a higher default contribution rate of 4%, with employer matching at this level (Te Ara Ahunga Ora Retirement Commission, 2024b). The Budget 2025 changes to contribution rates aligned with this recommendation.

86 Retirement Income Interest Group (2025). This report defines retirement income as adequate if it implies a replacement rate of 80–100% after tax, with income lasting to at least age 90.

87 Reyers (2025).

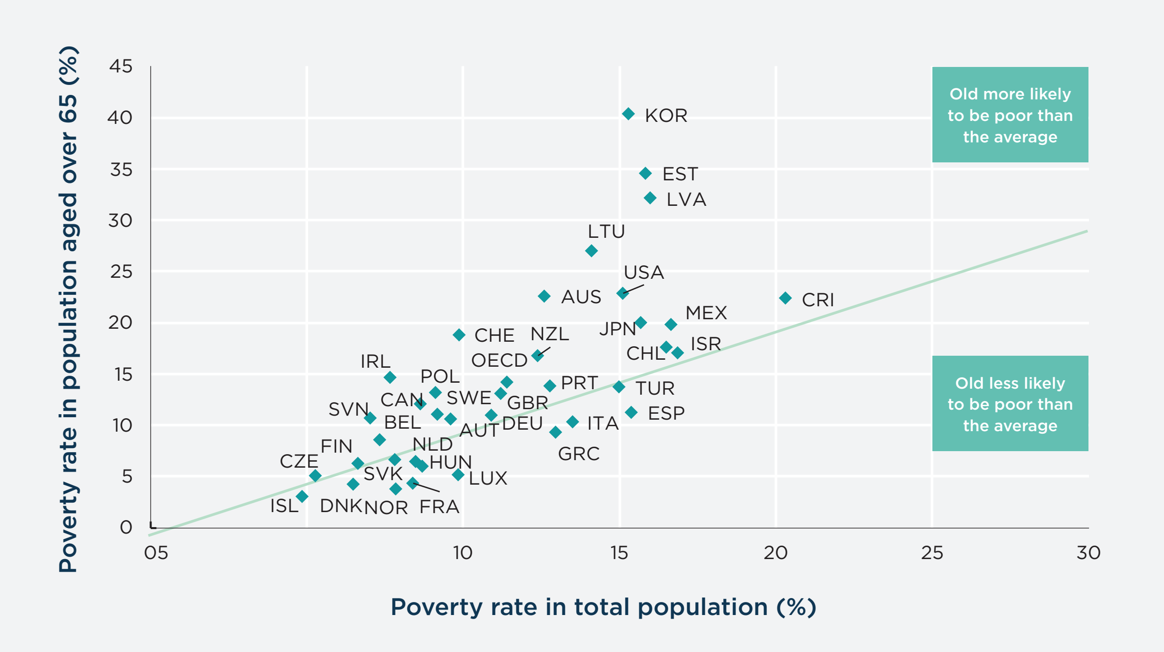
Poverty reduction

Historically, New Zealand has performed well in reducing poverty among people aged 65 and over. OECD data for 2016 showed a poverty rate of 10.6% for this group, below the OECD average of 13.5%, and close to the total population rate of 10.9%.[88] However, by 2020, the poverty rate for older New Zealanders had risen to 16.8%, compared to an OECD average of 14.2%.

The total population poverty rate also increased, but more slowly, to 12.4%. This suggests that poverty among older people is becoming a more prominent issue.

> **Poverty among older people is becoming a more prominent issue.**

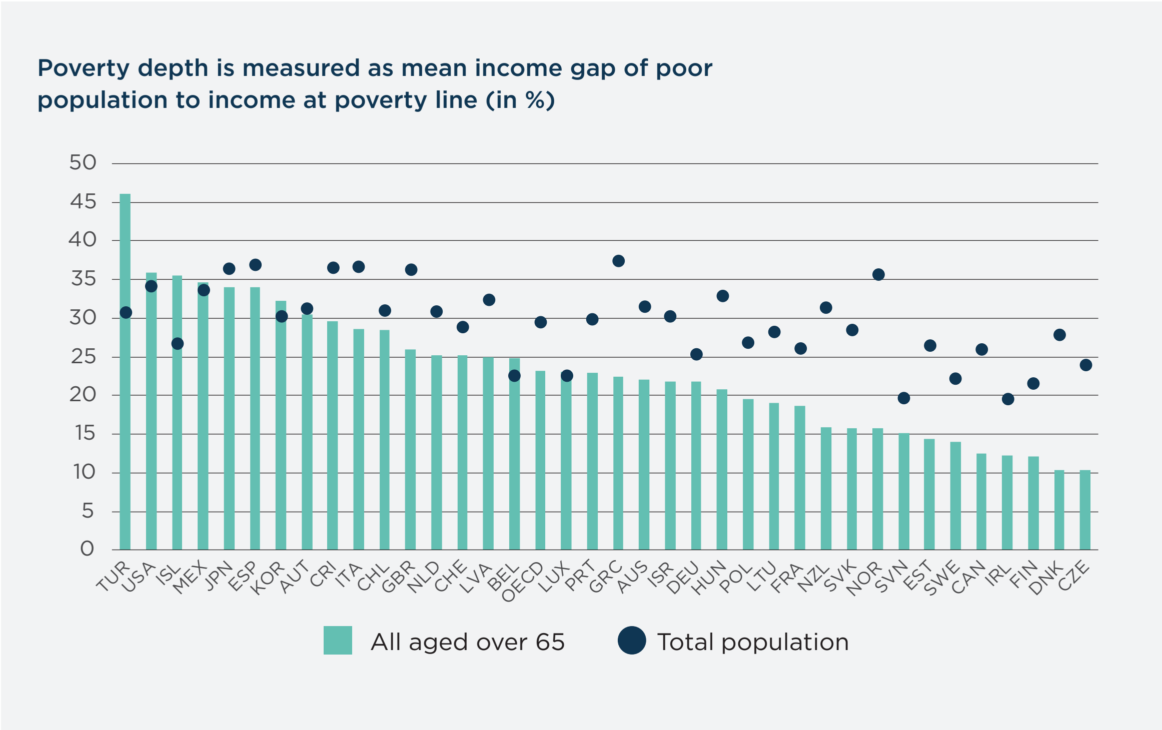
Figure 9: Income poverty rates by age – older vs. total population, 2020 or latest available year



Source: OECD (2023).

88 OECD (2019).

Figure 10: Income poverty depth by age – older vs. total population, 2020 or latest available year



Source: OECD (2023).

It is important to interpret these figures carefully. The rise in measured poverty reflects the sensitivity of relative poverty measures to changes in how NZ Super compares to median wages. As Perry notes, NZ Super declined in value relative to median household income during this period, as real wages grew.[89] This meant that some older people with little income beyond NZ Super fell just below the poverty line, even if their actual living standards had not changed significantly.

This highlights a key challenge when using relative poverty metrics: they are shaped not only by the adequacy of income but also by shifts in the broader income distribution. When wages rise faster than indexed benefits, the poverty threshold moves upward, even if the purchasing power of those benefits remains stable. In such cases, older people may be classified as 'in poverty' despite experiencing no material decline in wellbeing.

Supporting this interpretation, data on poverty depth shows that most older people in poverty in New Zealand are relatively close to the threshold. In other words, the poverty gap is shallow. Nonetheless, the increase in measured poverty signals a growing vulnerability among the over-65 population, particularly among renters, single-person households and people with limited assets.

This trend also underscores the importance of how NZ Super is indexed. NZ Super is adjusted annually to reflect both inflation and wage growth. This dual indexation helps maintain purchasing power and ensures that retirees share in rising living standards. However, even small changes to indexation settings can lead to large shifts in measured poverty.

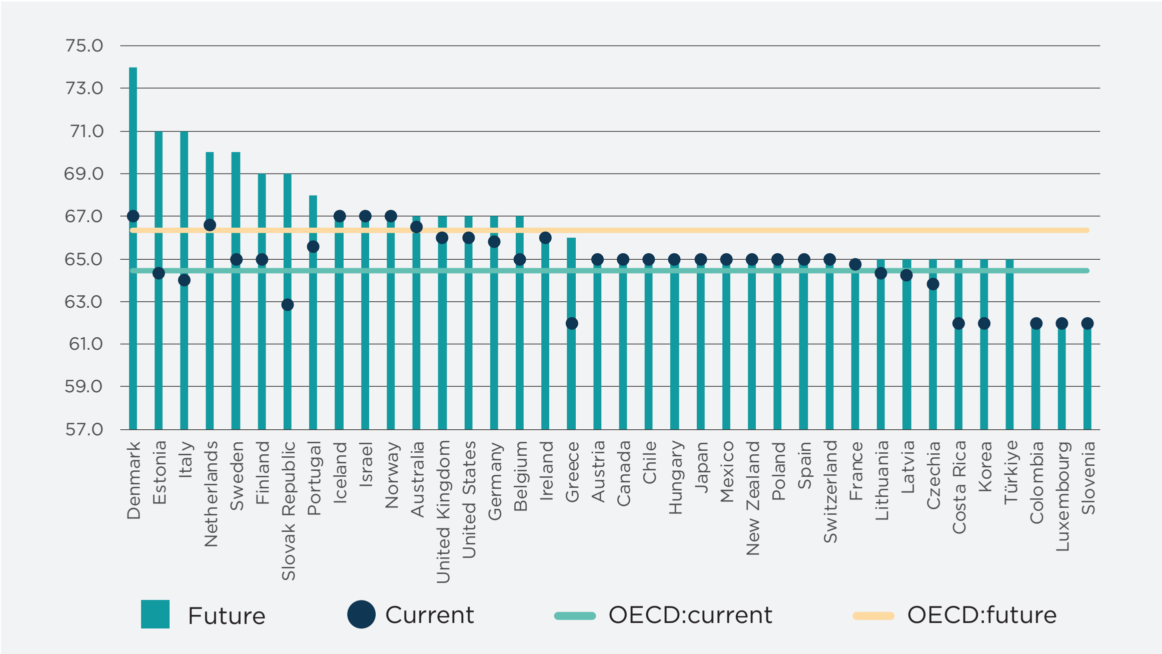
89 Perry (2025).

Reform across the OECD

Government transfers: responding to longevity and improving equity

In recent years, many OECD countries have moved to increase the age of eligibility for public pensions. Increases are planned in 20 out of 38 OECD countries, and in three more countries the age will increase for women only.[90] These changes are largely driven by rising life expectancy and the need to manage fiscal costs. In many cases, the new retirement ages will match or be below the current age of eligibility in New Zealand.

Figure 11: Normal retirement ages across the OECD



Source: OECD (2023).

Some countries automatically adjust their pension systems to account for people living longer. Nine OECD countries currently have automatic indexation of retirement age to life expectancy.[91] For example, Sweden, Finland and Italy link pension amounts or retirement ages to life expectancy, while countries like Portugal and the Netherlands use automatic rules to gradually raise retirement ages. These changes aim to make pensions more financially sustainable and fair across generations, but some approaches can lead to confusion for retirees.[92]

Although raising the age of eligibility may help with fiscal sustainability, it is no silver bullet. It does not address broader issues such as the needs of people who can't work longer due to health or caregiving responsibilities, and it will not fully resolve the long-term cost pressures facing retirement income systems. A balanced approach requires looking beyond age settings to consider how the system supports people with low lifetime earnings, limited savings or shorter life expectancy.

90 OECD (2023).

91 Mitchell & O'Quinn (2024).

92 BBVA (2023).

Expanding private savings through auto-enrolment and compulsion

There is an international shift toward savings-based systems. Australia's Superannuation Guarantee, introduced in 1992, is now at 12% of wages and has built a retirement savings pool worth around 146.8% of GDP.[93] The Netherlands, which has wide coverage of private (occupational) schemes, has achieved very high replacement rates (over 90% for an average earner).[94] The United Kingdom's auto-enrolment scheme, launched in 2012, has significantly increased participation in workplace pensions.[95] This approach automatically enrols employees into pension schemes, significantly boosting participation and contribution rates. Auto-enrolment helps ensure that more workers save for retirement, addressing concerns that individuals might otherwise save too little.

Encouraging labour market participation

The OECD has also noted a trend towards promoting longer working lives. Countries have implemented measures to make paid work in older age more attractive, such as removing disincentives to continue working while receiving a pension. These measures aim to boost labour force participation among older workers and improve public finances through reduced welfare expenditure and increased tax revenue. However, systems that incentivise delaying retirement often favour higher income workers who are able to continue working and then receive a higher pension, while disadvantaging those who can't continue to work and locking them into a lower pension.

Box 4: Working longer and hazardous work challenges

Across the OECD, one in five workers aged 50–64 leave employment due to ill health.[96] Historically, some countries have addressed this issue by offering early retirement options for workers in hazardous or arduous occupations. These provisions are often based on job titles rather than actual work conditions.

Many roles have evolved, and broad occupational categories may no longer reflect the actual risks involved. Evidence shows that some working conditions, particularly night work, continue to have long-term health effects, while others have improved due to technology and better practices.[97] This has led to calls for more targeted and evidence-based approaches.

The OECD recommends shifting focus from occupation-based entitlements to individual assessments based on health status and work conditions. This includes improving workplace safety, supporting retraining, and strengthening disability and sickness insurance.

Where early retirement is appropriate, eligibility should be linked to clearly defined risk factors rather than broad job categories. Countries such as France and Finland have introduced measures in this direction, combining flexible retirement options with health-based criteria to better target support.[98]

93 Katz (2024).
94 OECD (2023).
95 Robertson-Rose (2021).
96 OECD (2023).
97 OECD (2023).
98 OECD (2023).

Strengthening financial capability

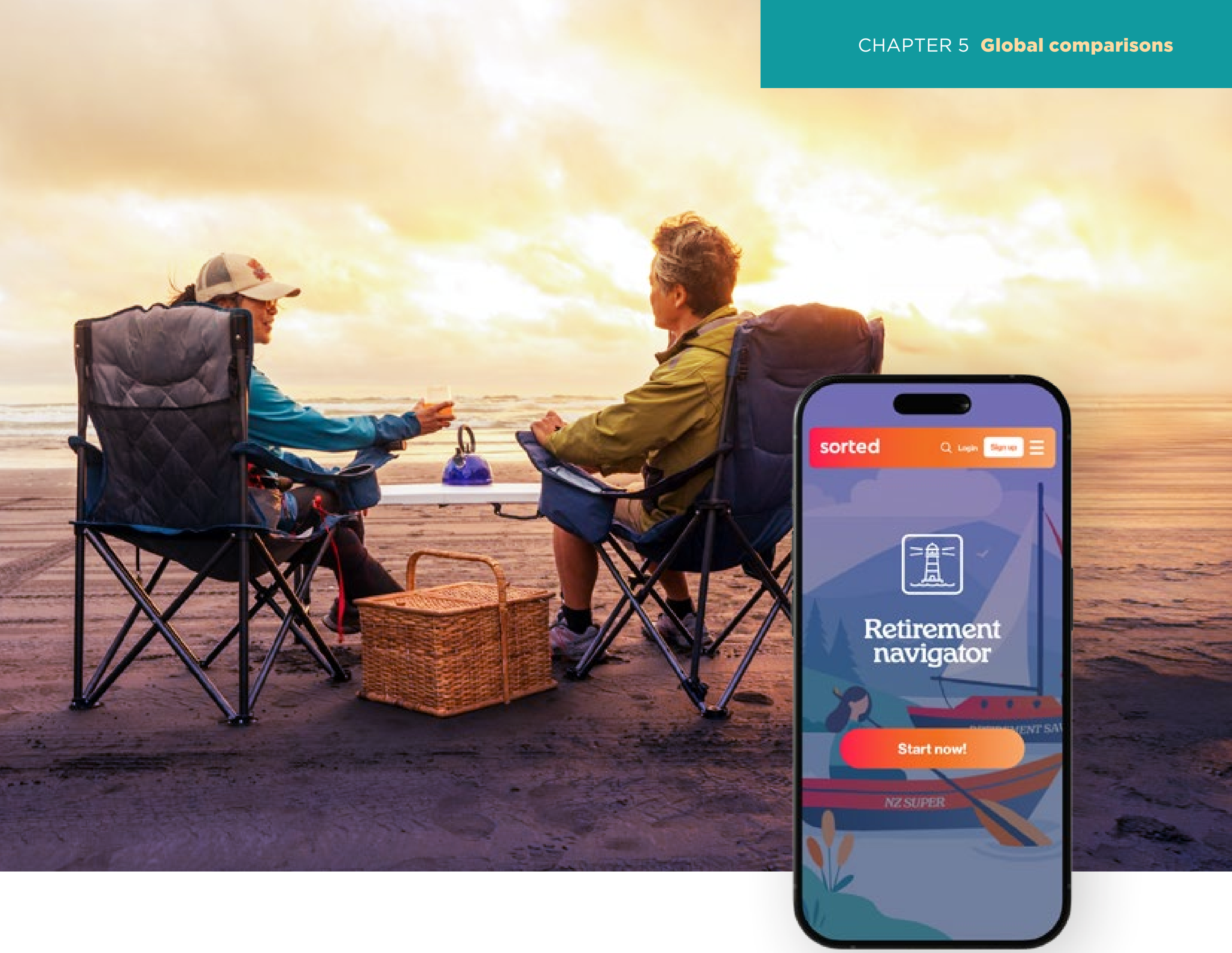
Financial capability involves equipping individuals with the knowledge and skills they need to make informed decisions about their retirement savings and investments. For example, the OECD International Network on Financial Education (INFE) has highlighted countries like Sweden and the United Kingdom that incorporate financial education in schools to improve financial literacy. New Zealand has recently taken similar steps to also introduce compulsory financial education into the national curriculum.

In addition to school-based programmes, many countries are developing initiatives tailored to older adults, particularly to help them manage their finances and avoid scams. These efforts recognise that financial capability is needed not just earlier in life, but throughout retirement. This is especially important because retirement savings can only be spent once, and once they are gone, most people will have little opportunity to rebuild them later on.

Attention is also turning to how retirees draw down their savings. Australia mandates minimum withdrawals from superannuation accounts to ensure savings are used during retirement. Singapore's CPF Life provides a lifelong annuity, while the United Kingdom's NEST offers guided drawdown tools to support informed decision-making.

Table 2: Decumulation strategies – international examples

Country	Strategy type	Description	Strengths	Challenges
Australia	Mandatory withdrawals	Minimum drawdown rates apply to superannuation accounts from age 60	Ensures savings are used during retirement	May not suit all retirees' needs or longevity expectations
Singapore	Lifetime annuity	CPF Life provides monthly payouts for life, adjusted for life expectancy	Reduces longevity risk, simple and predictable	May be inadequate for those with low CPF balances
United Kingdom	Guided drawdown	Free guidance is provided by the Pension Wise service and by NEST	Supports informed decision-making, flexible options	Requires financial literacy and engagement



New Zealand currently lacks structured decumulation options. Developing better drawdown products and advice could help ensure that savings last and reduce reliance on NZ Super. The new Retirement Navigator on the Sorted website,[99] developed by the Commission following the 2022 Review of Retirement Income Policies, is an important step, offering tailored guidance to help retirees plan their drawdown strategy. However, more needs to be done, including by KiwiSaver providers and the advice community, to ensure people receive timely information and guidance as they draw down their retirement savings.

As KiwiSaver matures and average balances grow, these issues will become increasingly central to retirement planning and require more structured decumulation options. The Actuaries Institute in Australia has noted that drawdown strategies need to be aligned with income needs over time.[100] The Australian Retirement Income Covenant provides a structured approach to helping retirees manage their savings, with a focus on sustainability, flexibility and informed decision-making. This potentially offers a useful example as New Zealand considers how to strengthen its own decumulation framework.

99 See sorted.org.nz/tools/retirement-navigator

100 Actuaries Institute (2025).

Conclusion

New Zealand is relatively well positioned to meet the challenges of an ageing population. NZ Super and KiwiSaver provide broad coverage at a comparatively low fiscal cost, and the country's demographic profile remains more favourable than many OECD countries. These strengths offer a solid foundation for future reform.

International experience shows that early and consistent action can significantly improve retirement outcomes and system sustainability. Countries like Australia and the Netherlands have benefited from proactive reforms, while others face higher costs and more difficult trade-offs due to delayed action.

Learning from overseas examples and building on New Zealand's existing strengths can help develop a retirement income system that meets not just the needs for today but for the years ahead.

"New Zealand is relatively well positioned to meet the challenges of an ageing population."

06

Who's missing out?

New Zealand's retirement outcomes are shaped by a wide range of factors, including income, housing, work history and access to savings. The system has strong foundations, but there are groups who face extra challenges in retirement. Gender, ethnicity, employment type and income level can all affect financial security later in life.

Low-income families

Low-income families face barriers that make it harder to save for retirement. Many struggle to contribute regularly to KiwiSaver, and some stop altogether due to financial hardship. Others make early withdrawals, which reduce long-term savings and widen inequality.

This raises important design questions for workplace savings schemes. For people on low incomes, increasing contributions today can mean having less money for essentials. The Institute for Fiscal Studies (IFS) Pensions Review in the United Kingdom noted that raising contribution rates for people already under financial pressure can deepen hardship.[101]

Despite these challenges, small, consistent contributions can grow into meaningful balances over time. Additional savings can improve retirement income, reduce the risk of poverty in later life, and lessen reliance on government transfers such as NZ Super and supplementary assistance. Ensuring that people on low incomes can participate in KiwiSaver is important. Not everyone can save a lot, but wide coverage helps promote long-term stability.

This underscores the importance of employer and government contributions,[102] as well as flexibility in default settings. In the United Kingdom, the IFS has proposed raising default rates only for people earning at or above typical income levels, not for those on low pay. In New Zealand and Australia, emphasis has been placed on allowing for temporary savings suspensions or lower contribution rates and hardship withdrawals under specific conditions.

However, as discussed in Box 5, there is scope to improve the KiwiSaver hardship withdrawal process. Reducing manual re-work in the process undertaken by members, financial mentors, providers, fund administrators and supervisors, and improving consistency in the process would help ensure the system better supports people in genuine need, without undermining their long-term financial wellbeing.

"The system has strong foundations, but there are groups who face extra challenges in retirement."

101 Cribb, Emmerson, Johnson, Karjalainen & O'Brien (2025).

102 Reyers & Mawson (2025a).

Box 5: KiwiSaver hardship withdrawals

Hardship withdrawals from KiwiSaver have increased with cost-of-living pressures. In the year to June 2025, just over 45,000 people accessed their KiwiSaver funds early due to financial hardship, compared to around 18,000 five years ago. This represents about 1.4% of KiwiSaver members, although the withdrawals account for only 0.4% of total KiwiSaver savings.

The average hardship withdrawal is around $10,000, which can reduce a person's final retirement balance by $40,000 or more due to lost compounding returns.

Financial mentors often help their clients prepare detailed and bespoke budgets and supporting documents, while providers separately adopt processes that require specific formats for withdrawal applications. The withdrawal application rules are clear and applied consistently, but differences between providers' processes and format requirements can create extra work and delays.

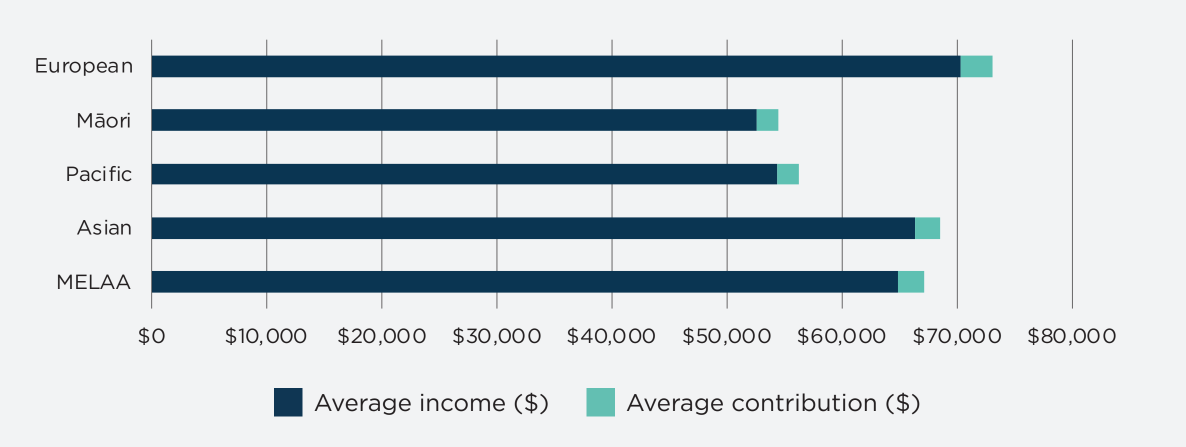
The process is deliberately stringent to protect retirement savings, but this can place pressure on applicants and mentors. Some people use KiwiSaver withdrawals when other options might be better, such as insolvency procedures or consumer protection remedies, but stigma or lack of awareness can prevent them from exploring these alternatives. Others simply do not have access to good advice.

There are also concerns about how the withdrawn money is used. In some cases, the funds do not resolve the underlying financial problem, and hardship continues. Repeat withdrawals are becoming more common, with many members returning for additional funds after the initial 13-week relief period, sometimes depleting their entire balance.

Early withdrawals can have lasting impacts on retirement security, especially for low-income earners who already face barriers to contributing regularly. This reinforces the need to ensure there is an effective process that supports people in genuine need while protecting long-term savings. There are opportunities to improve the effectiveness of the process, such as through the use of technology.

Income and ethnicity are closely linked. Māori and Pacific Peoples are more likely to be in lower-income groups, which makes it harder to contribute consistently to KiwiSaver. Pākehā employees contribute around 50% more to KiwiSaver each year than Māori and Pacific employees, reflecting both higher earnings and higher contribution rates.[103]

Figure 12: The ethnicity contribution gap



Source: Kirkpatrick, Meehan & Pacheco (2024).

103 Kirkpatrick, Meehan & Pacheco (2024).

Pacific Peoples experience additional barriers to building retirement wealth. Home ownership among Pacific households has fallen from just under 51% in 1986 to around 21% today. This leaves many Pacific retirees facing high housing costs in later life. Intergenerational living is common, shaped by both cultural values and economic factors such as housing affordability. For many Pacific families, it reflects traditions of reciprocity and collective support, but it can also create financial pressures and limit opportunities to build individual retirement savings. Cultural expectations of supporting extended family can further reduce the ability to save consistently for retirement.[104]

These disparities reinforce the critical role of NZ Super as a universal safety net; however, NZ Super alone may not be enough for certain groups, particularly renters, single women, Māori and Pacific Peoples, who face higher poverty rates and greater risk of hardship in retirement. Lower lifetime earnings and wealth accumulation, combined with lower home ownership, mean these groups are more vulnerable to financial stress in older age.

Māori

Retirement presents distinct challenges for Māori, shaped by historical and structural factors such as colonisation, land loss, and long-standing disparities in education, health and income.[105]

Only 47% of Māori aged 65 and over report having enough to meet their needs, compared to 72% of Pākehā. This disparity reflects broader economic patterns: Māori are more likely to work in lower-paid roles and less likely to own their homes, increasing financial vulnerability in later life.[106]

Income inequality plays a central role and contributes to lower KiwiSaver balances and reduced participation in retirement savings schemes.[107]

The legacy of colonisation and land loss continues to affect Māori access to wealth and opportunity. The loss of whenua has constrained the ability of many whānau to build financial security across generations.[108]

Life expectancy is another critical factor. Māori who reach 65 typically receive NZ Super for fewer years than non-Māori. Many die between the ages of 50 and 65, missing out on retirement support altogether.[109]

Improving retirement outcomes for Māori requires culturally grounded support and meaningful engagement with Māori communities. Iwi-led savings schemes, such as Ngāi Tahu's Whai Rawa, offer promising models. These initiatives match member contributions and support goals like education, home ownership, and retirement, helping whānau build long-term wealth in ways that reflect Māori values.[110]

Women

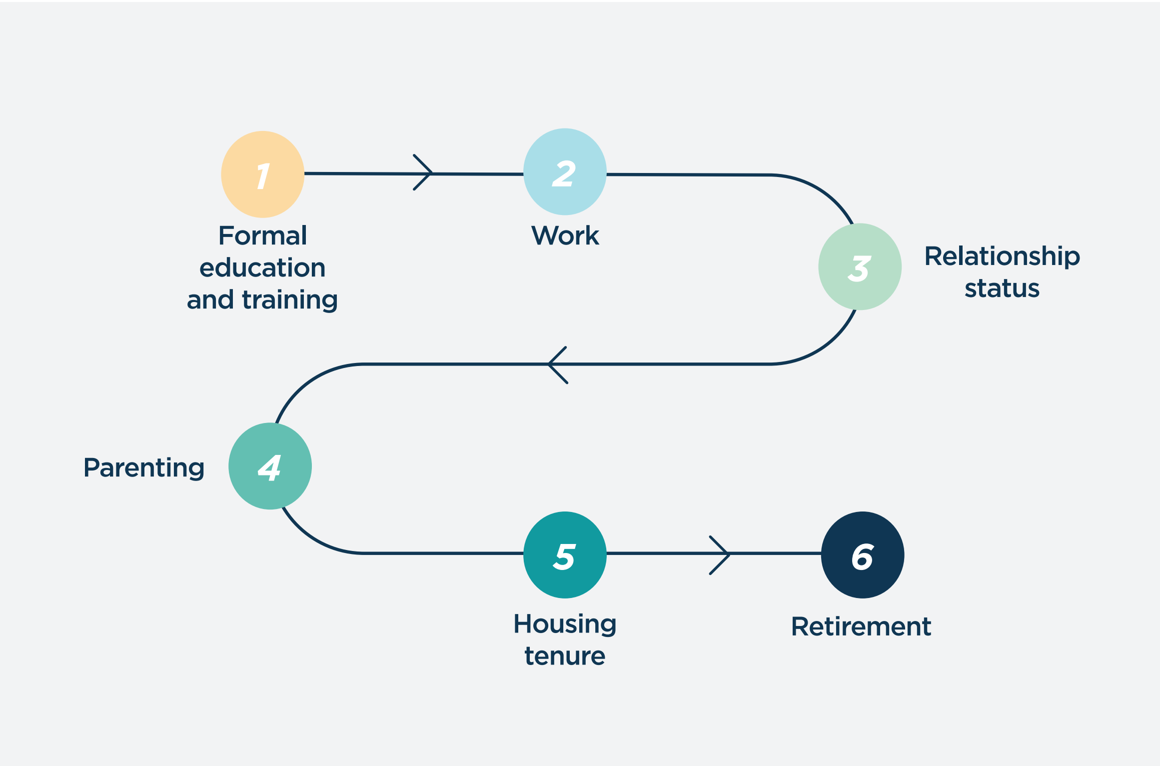
Women make up 53% of the 65-year-old population (and 55% of the 75+ population), so are disproportionately affected by changes to NZ Super settings. Women often encounter challenges in retirement associated with factors such as lower lifetime earnings, and a higher prevalence of part-time employment and unpaid caregiving responsibilities, as well as persistent pay disparities.[111] As Chen and Baddley emphasise, these disadvantages are not isolated events but part of a patterned trajectory that shapes women's financial security in later life.

104 Rohorua, Natua, Tapu & Koloto (2022).
105 Te Ara Ahunga Ora Retirement Commission (2022).
106 Te Ara Ahunga Ora Retirement Commission (2022).
107 Kirkpatrick, Meehan & Pacheco (2024).
108 Te Ara Ahunga Ora Retirement Commission (2022).
109 Te Ara Ahunga Ora Retirement Commission (2022).
110 Hynds, Leonard & Bidois (2025).
111 Chen & Baddley (2025b).

These patterns reflect systemic inequalities that are also recognised under international human rights law. The Convention on the Elimination of All Forms of Discrimination Against Women obligates governments to eliminate discrimination in social security and to address the gendered impacts of unpaid care work. This reinforces the case for structural policy responses that promote equity in retirement outcomes.

Lower lifetime earnings mean that many women enter retirement with less financial security. KiwiSaver contributions are based on income, so people who earn less save less. Women are overrepresented in lower-paid jobs and industries, which directly affects their ability to accumulate retirement savings. Women are also more likely to earn under $30,000 annually, while men are more likely to earn over $70,000.[112]

Figure 13: The six stages in a woman's life course, in relation to retirement income



Source: Chen & Baddley (2025b).

Part-time work and unpaid caregiving compound the issue. Women are more likely to reduce paid hours or exit the workforce to care for children or older relatives. These interruptions, especially during early working years, reduce KiwiSaver contributions and the benefits of compounding interest. These early gaps have long-term consequences.

In 2024, men had on average 25% more in their KiwiSaver accounts than women. The gap increases with age, peaking at 37% for people aged 56–65, which was equivalent to around $20,000 less as women approach retirement.

The gender pay gap plays a critical role. Although men and women tend to contribute the same percentage of their income to KiwiSaver, women's lower earnings mean their contributions and resulting balances are smaller.[113] These disparities are even more pronounced for non-Pākehā women, who face additional barriers due to ethnic and gender pay gaps.

112 Te Ara Ahunga Ora Retirement Commission (2021b).

113 Chen & Baddley (2025b).

The gender pay gap declined from 14% in 2000 to 8.2% in 2024, and then to 5.2% in 2025, with the fastest progress made among Māori and Pacific women. NZIER has estimated that ethnic pay gaps have also reduced slightly. Māori workers earned 13.8% less than Pākehā workers in 2024, down from 14.3% in 2008. For Pacific workers, the gap fell from 19.7% to 15.3% over the same period.[114] These gains are important, but they haven't erased the long-term effects of lower earnings.[115]

Women's longer life expectancy adds another layer of complexity. Many will spend more years living alone in retirement. This reinforces the critical role of NZ Super, especially for those with limited KiwiSaver balances or interrupted contribution histories.

Box 6: Employer KiwiSaver contributions during parental leave

Employers paying over $50,000 annually in PAYE and ESCT must submit detailed income information via myIRD or a payroll provider.

Although myIRD allows KiwiSaver contributions during leave,[116] most payroll systems calculate contributions as a percentage of income. Fixed contribution amounts often require manual overrides, which are not always supported. This creates uncertainty about whether employer contributions can be made via their payroll systems when no income is paid.

Of the 330 companies listed on Crayon's NZ Parental Leave Register, 28% make KiwiSaver contributions during leave. Nearly all do so via a one-off lump sum when the employee returns.[117] This introduces risks: employees may miss out if they don't return, investment growth is lost during leave, manual errors can occur, and the process imposes administrative and financial burdens, especially on small employers.

Since 2019, Inland Revenue has allowed employers to make KiwiSaver contributions during unpaid leave, including fixed amounts; however, this flexibility is not well supported by payroll systems. As payroll systems will need to be updated for the KiwiSaver changes coming into effect over the next few years, there is an opportunity to also embed this flexibility and make it easier for employers to support contributions during leave.

The self-employed

Self-employed people face distinct challenges in saving for retirement. Unlike employees, they are not automatically enrolled in KiwiSaver and do not receive employer contributions, which often leads to lower balances and irregular saving patterns. In 2024–25, only 44% of self-employed people contributed to KiwiSaver.[118] Even the self-employed people who do contribute tend to save less. Employees contribute an average of 3.7% of their income and receive an average 2.9% from their employer. Self-employed people contributors average just 2.6%, meaning they contribute less than half as much overall as employees.[119]

114 Katz (2025a).

115 Katz (2025a).

116 As part of the IR transformation project in 2019, a change was implemented to the Employer Information Line Item to allow for the reporting of Gross Earnings – Nil, where KiwiSaver employer contributions are made despite no gross earnings being paid.

117 See www.gocrayon.com/register

118 Te Ara Ahunga Ora Retirement Commission & Hnry (2025).

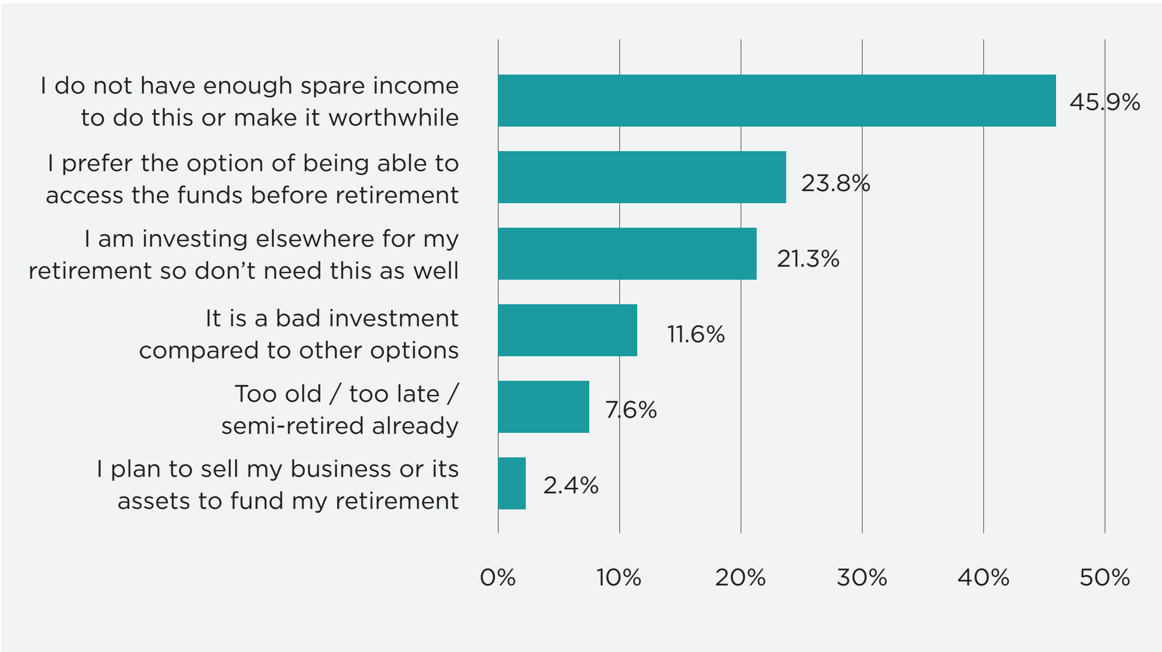
119 Te Ara Ahunga Ora Retirement Commission & Hnry (2025).

Table 3: KiwiSaver membership and contribution by employment status

	Apr 2021 to Mar 2022		Apr 2022 to Mar 2023		Apr 2023 to Mar 2024		Apr 2024 to Mar 2025	
	Employees	Self-employed	Employees	Self-employed	Employees	Self-employed	Employees	Self-employed
Contributing KiwiSaver member	76%	48%	77%	45%	78%	44%	78%	44%
Non-contributing KiwiSaver member	12%	27%	13%	31%	12%	31%	12%	41%
Not a KiwiSaver member	12%	25%	11%	24%	11%	25%	10%	15%
Base (weighted, those aged under 65, excludes KiwiSaver membership status 'don't know')	1686	145	2380	238	2209	208	1923	158

Source: Te Ara Ahunga Ora Retirement Commission & Hnry (2025).

Figure 14: Sole trader reasons for not saving or investing in KiwiSaver



Source: Te Ara Ahunga Ora Retirement Commission & Hnry (2025).

Irregular income and financial pressure make it hard for many self-employed people to contribute regularly. Nearly half of sole traders say they do not have spare income for KiwiSaver, and short-term needs often take priority. Many prefer to invest in their business or keep money for emergencies, while others find KiwiSaver rules complex or are unaware of available incentives.

Box 7: Processes for making KiwiSaver contributions

Employees: an easy way to save

For employees, joining KiwiSaver is simple. Most are automatically enrolled when they start a new job, unless they choose to opt out. Contributions are taken from their pay, and employers also contribute. Employees do not need to make many decisions or take extra steps to start saving for retirement.

Self-employed: a harder path

Self-employed people must join KiwiSaver themselves and set up their own payments. There is no automatic enrolment or employer contribution. They need to choose a provider and fund, and adjust their contributions as their income changes. Saving for retirement depends on their own actions and confidence with financial decisions.

If self-employed people do not take these steps, they are unlikely to save through KiwiSaver. This means they may miss out on regular savings and government contributions, and could reach retirement with less financial security.

Recent policy changes have made things harder. The 2025 Budget reduced the government contribution rate.[120] Before these changes, the average government contribution for a self-employed person was already 30% lower than for an employee. Now, nearly one in three sole traders say they will reduce or stop their contributions altogether.

Platforms like Hnry, which automate KiwiSaver contributions based on income, show how technology can help. Flexible savings models, such as sidecar accounts that split contributions between emergency and retirement savings, could also support self-employed people with variable earnings.[121]

People over 65 and those on temporary visas

As New Zealand's population ages and the workforce becomes more diverse, there is a growing need to ensure that retirement savings opportunities are accessible to all who contribute to the country's economy. Currently, people aged over 65 and those on temporary visas are treated differently to other employees.[122] People on temporary visas are excluded from enrolling in KiwiSaver, and employers do not have to make KiwiSaver contributions to employees after the age of 65.

This limits the ability of older workers and migrant workers who ultimately settle here to build long-term wealth.

Approximately 39% of wage and salary earners aged over 65 contribute to KiwiSaver, with 36% receiving voluntary contributions from their employer. However, many more people may make their own contributions if employer matching was compulsory after age 65 (in general across other age groups where employer matching is compulsory, more than 80% of employees make a contribution).[123]

120 Reyers & Mawson (2025a).

121 Te Ara Ahunga Ora Retirement Commission & Hnry (2025).

122 This discussion for over-65s relates specifically to employer contributions and does not cover the government contribution, which is not available to those aged 65 and over, as most will be eligible for NZ Super.

123 Reyers, Meehan & Kirkpatrick (2025).

A key theme that emerged from a preliminary study of employers' views was a sense that extending KiwiSaver contributions to all ages was the right thing to do from a fairness standpoint. Some employers felt strongly that age should not determine access to this employment benefit.[124] Allowing over 65s to join or continue contributing to KiwiSaver would support financial independence, reduce reliance on NZ Super alone and reflect the reality of longer working lives.

Similarly, extending eligibility to people on temporary visas recognises the significant economic and social contributions made by migrants, many of whom spend years working and paying taxes in New Zealand but are unable to access the same retirement savings tools as residents and citizens.[125]

Research commissioned for the 2022 Review of Retirement Income Policies showed that people can remain on temporary visas for more than 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 people holding student visas was 24 and worker visas was 30. Based on this, the estimated impact on migrants who settle here is that their KiwiSaver balances could 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.[126]

Extending eligibility could also help New Zealand be a more attractive destination to the globally mobile labour force and reduce impediments to moving here. With recent changes to increase the period of residency required to be eligible to receive NZ Super, new migrants will face a double barrier if they continue to be excluded from KiwiSaver.[127]

The treatment of KiwiSaver in pay

The treatment of KiwiSaver contributions within remuneration structures has significant implications for savings adequacy and fairness. Employers must make a minimum contribution of 3% (moving to 4%) towards their eligible contributing employees' KiwiSaver funds.[128] The employer's compulsory minimum KiwiSaver contribution is often on top of the salary or wages of the employee, though some employers adopt a total remuneration approach, in which all cash and non-cash benefits (such as gym memberships and KiwiSaver) are included in determining gross pay. In these cases, the employer's contribution may be offset against the employee's gross pay, reducing the amount of take-home pay received.

The KiwiSaver legislation clearly states that compulsory contributions must be paid on top of gross salary or wages except to extent that the parties otherwise agree.[129] The legislation also includes a provision, described as being for the avoidance of doubt, which explains that a duty of good faith applies when parties to an employment relationship bargain for terms and conditions relating to compulsory contributions and associated matters.

124 IPSOS (2025a).

125 Te Ara Ahunga Ora Retirement Commission (2022)

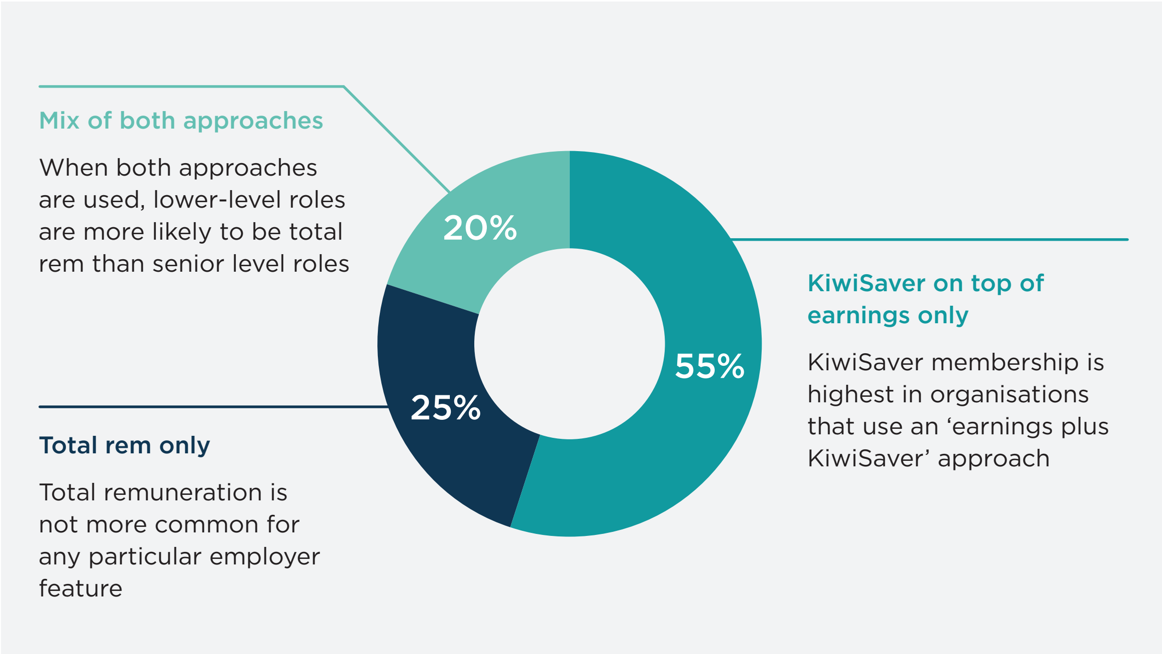
126 Meehan, Mitchell & Pacheco (2022)

127 See www.workandincome.govt.nz/eligibility/seniors/nz-super-and-veterans-pension-residency-changes-2024.html

128 As noted in the section above, employers are not currently required to make these contributions after an employee turns 65.

129 Section 101B of the KiwiSaver Act.

Figure 15: Proportion of employers using different remuneration strategies



Source: Gamble (2023).

There is less incentive for an employee to contribute to KiwiSaver under a total remuneration model, as they will receive less in their hand as current compensation. Research finds that almost half of employers use a total remuneration approach for at least some of their employees, with 25% using a total remuneration approach for all employees and a further 20% using a total remuneration approach for some of their employees. The removal of the incentive that is the employer contribution on top of salary or wages goes against the spirit of the scheme.[130]

> **"The removal of the incentive that is the employer contribution... goes against the spirit of the scheme."**

Initial discussions with employers indicate that those who pay KiwiSaver on top of wages frequently emphasise the importance of offering KiwiSaver as a genuine employee benefit to attract and retain talent. They believe that paying contributions on top of salary sends a clear message about the organisation's commitment to staff wellbeing and long-term financial security.

Those who use total remuneration often cite the ability to ensure pay equity across their workforce, particularly for employees not participating or eligible for KiwiSaver.[131] This is not a strong argument from a retirement policy point of view, particularly given the high coverage of the scheme among employees.

130 Gamble (2023).

131 IPSOS (2025b).

Four quadrants of need

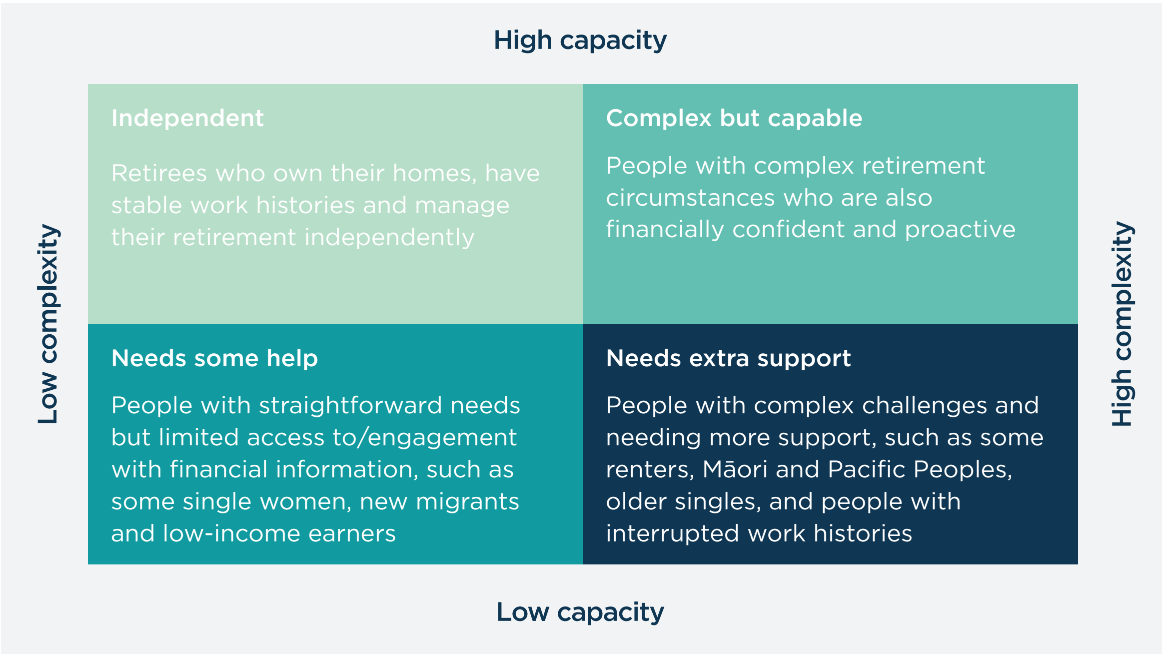
To guide more targeted and effective policy responses, this review develops a quadrant framework to illustrate differences in need and to match policy tools to where they work best. This builds on the Productivity Commission's 2015 report on better social services and the 2022 Review of Retirement Income Policies.[132]

The 2022 review identified three main retirement scenarios: homeowners with stable finances, asset-rich but cash-poor retirees, and renters facing financial stress. By mapping needs and capacity, our approach builds on this earlier work to illustrate how policy responses can be tailored to the realities faced by each group

The underlying idea is that a one-size-fits-all approach underperforms when needs are complex and people are least able to plan on their own.[133] Like the Productivity Commission's approach in 2015, this involves mapping people along two dimensions:

- Complexity of retirement needs (simple to complex), reflecting the interactions of income, housing costs, health or caregiving, and how people access and manage their savings in retirement.
- Capacity to plan and coordinate (low to high), capturing financial confidence and literacy, stable work histories and employer support, access to advice, and the ability to act on information.

Figure 16: Four quadrants of need



Quadrant one (low complexity, high capacity) includes retirees who are confident managing their finances, often homeowners with stable work histories. For these individuals, universal settings such as NZ Super and KiwiSaver defaults generally provide sufficient support. The focus for policy is on maintaining stability and clarity to enable long-term planning and build trust. Early, neutral guidance from providers, such as simple rules of thumb and consistent terminology, can help people make informed decisions about how to use their savings.

132 New Zealand Productivity Commission (2015) and Te Ara Ahunga Ora Retirement Commission (2022).

133 New Zealand Productivity Commission (2015).

Quadrant two (low complexity, low capacity) includes people with straightforward financial needs but limited confidence and/or engagement. Examples include some single women, recent migrants, and low-income households with limited experience using financial services. Light-touch support can improve outcomes. For instance, extending KiwiSaver eligibility to temporary visa holders and improving communication before and after age 65 are practical steps that can help reduce long-term gaps.

Quadrant three (high complexity, high capacity) includes people who are financially engaged and often comfortable using digital tools. They may be self-employed, working past age 65, or managing multiple financial products. These individuals face more complex decisions around income variability, tax, timing and risk. Policy settings should support flexibility and innovation. Examples include automated tools for the self-employed, linked emergency savings options, and improved decumulation pathways.

Quadrant four (high complexity, low capacity) presents the most challenging combination. It includes renters facing high housing costs, women with interrupted work histories, Māori and Pacific Peoples with lower lifetime earnings and home ownership rates, and older singles. Many in this group rely primarily on NZ Super. The proportion of older renters is expected to rise, and housing costs can consume a significant share of income.

For this group, support that is coordinated and responsive to different needs tends to be most effective. This may involve assistance that considers housing pressures, caregiving responsibilities and diverse work patterns. Approaches that reflect cultural values and community-led solutions can also help strengthen engagement and resilience. Financial capability plays an important role in this quadrant. Where capability is lower, people may be less likely to engage with savings schemes, access available assistance or make informed decisions about how to use their savings.

> **"Addressing these disparities is not just a matter of fairness, it is central to the system's long-term effectiveness."**

Conclusion

While the retirement income system has strong foundations, groups such as women, Māori, Pacific Peoples, low-income families and the self-employed face distinct challenges that require targeted responses. Addressing these disparities is not just a matter of fairness, it is central to the system's long-term effectiveness. NZ Super continues to play a vital role as a universal, inflation-protected income that provides stability and security for all older New Zealanders, particularly those with limited private savings. As KiwiSaver becomes a larger part of the retirement income system, differences in saving will matter more. People with smaller balances will have less to draw on in retirement, potentially widening income gaps among older New Zealanders.


07

KiwiSaver and the market

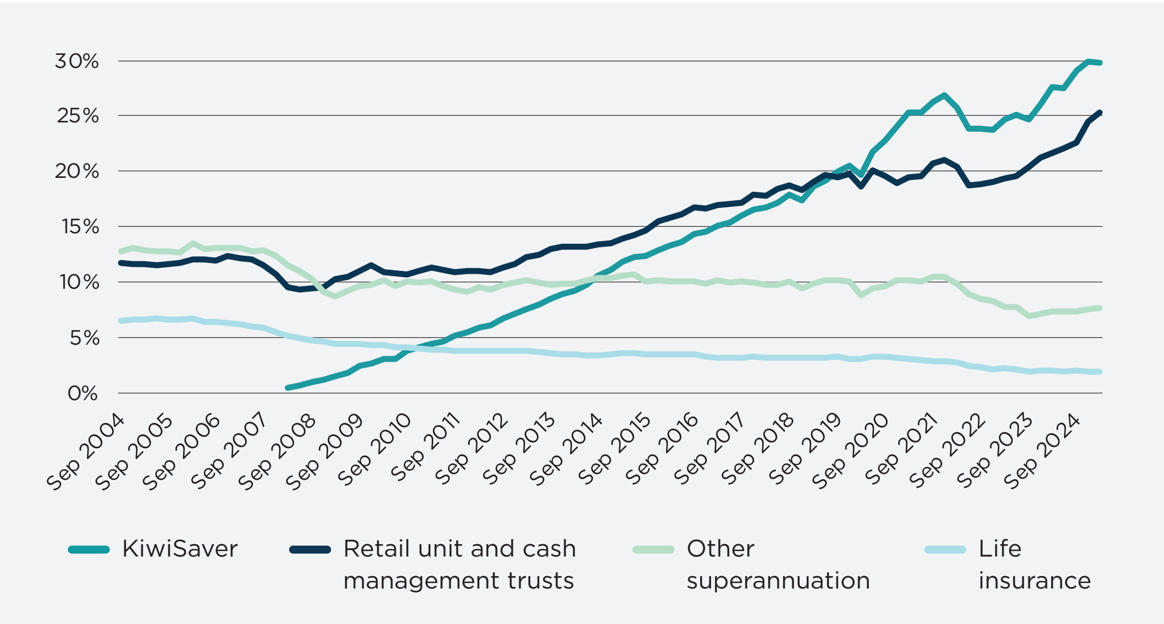
KiwiSaver has become a central institution within New Zealand's retirement income system. It complements NZ Super by helping individuals build long-term wealth creation, supports capital markets through long-term investment, and reflects broader shifts in how retirement is financed and experienced.

KiwiSaver and the financial landscape

KiwiSaver has significantly broadened access to retirement saving and investing. Today, nearly 3.5 million New Zealanders have a KiwiSaver account, with more than 90% of eligible employees actively contributing. Before its introduction in 2007, participation in occupational savings schemes, whether public or private, was limited to around 15% of the workforce – and declining.[134]

Beyond helping individuals save, KiwiSaver has become a key part of New Zealand's financial infrastructure. It has channelled household savings into formal markets, supported the growth of the investment management industry, and diversified household wealth beyond property. By March 2025, funds under management had reached $123 billion,[135] up from $703 million in 2008.[136] This growth has deepened domestic capital markets and institutionalised a long-term savings habit in New Zealand's economic culture.[137]

Figure 17: Components of funds under management as a share of GDP



Source: Retirement Commission analysis of Managed Funds Survey.

134 Drew (2015).
135 Financial Markets Authority (2025).
136 Reyers (2025).
137 Drew (2015).

It is important to note that funds under management, including KiwiSaver, represent only one component of total household financial assets. Other components include bank deposits, shares, bonds and other investment products.[138] As a result, growth in KiwiSaver balances does not automatically translate into higher overall household wealth or national saving, unless it is additional to other forms of saving, rather than simply substituting for them.

There has been ongoing debate about whether KiwiSaver has increased national savings. Early research, using data from 2010, found little evidence of a boost, particularly during the years when the scheme was heavily subsidised.[139] That said, research using data from 2010 is likely to have covered too short a time frame to fully assess the impact of KiwiSaver, which had only been in place for three years. Further, the data was likely to have been influenced by the effects of the Global Financial Crisis, which began in 2008.[140]

KiwiSaver today is very different to the scheme in 2010, but there are no updated estimates of the scheme on national savings. This partly reflects data issues.[141] National savings are shaped by a wide range of factors, including economic cycles, housing markets and fiscal policy, making it difficult to isolate the specific effect of KiwiSaver on household and national savings. A definitive assessment would require formal modelling or access to longitudinal data.

Nonetheless, as KiwiSaver has matured, its reliance on automatic enrolment and default settings has increased, while the role of government subsidies has diminished. Based on international evidence, this shift suggests that a greater share of KiwiSaver balances may now represent new savings, particularly among passive savers who might not otherwise have saved.[142]

Box 8: Nudges and saving

Nudges, such as automatic enrolment and default contribution rates, are often more effective than subsidies at increasing retirement saving. Whereas subsidies rely on individuals taking action to claim financial incentives, nudges reshape the environment so that saving becomes the default choice.[143]

This matters because many savers are passive. They tend to stick with default settings, especially when decisions are complex or unfamiliar. Active savers (people who make deliberate choices about contribution rates and fund types) are a minority. Nudges help passive savers participate and save more, without requiring high levels of financial literacy or engagement.

Defaults also carry an 'endorsement effect': people interpret them as recommended settings. This builds trust and encourages participation. Research shows that small changes to defaults can significantly improve savings outcomes, especially for younger, lower-income and less confident savers.

This is supported by the data in Figure 17, which show a steady increase in KiwiSaver as a share of household financial assets, with other forms of managed funds and superannuation remaining stable or declining only slightly. This pattern suggests that KiwiSaver has contributed to overall household wealth accumulation, rather than simply crowding out other savings.

138 Gorman, Scobie & Paek (2013).

139 Law, Meehan & Scobie (2017).

140 NZIER (2015).

141 The longitudinal data used for initial research (SoFIE) is only available to 2010; analysis using this can only consider the first 3.5 years of KiwiSaver.

142 Using administrative data covering 41 million observations in Denmark, Chetty et al. found that although tax subsidies mostly reshuffled assets (each $1 of subsidy raised total saving by only around $0.01), automatic contributions meaningfully increased net wealth (Chetty, Friedman, Leth-Petersen, Nielsen & Olsen, 2012).

143 King B. (2025).

Further, unlike the early years of the scheme, the reduction in government subsidies means there is now less substitution between government and private saving. Again, this suggests that KiwiSaver is contributing to long-term wealth creation.

Viewed through an institutional lens, KiwiSaver represents a shift from informal, often property-focused wealth accumulation. The growth of KiwiSaver and managed funds has broadened the range of investment vehicles in household portfolios, increasing diversification beyond residential property. Property remains the largest component of household wealth, but the expansion of financial assets, particularly through KiwiSaver, has reduced the degree of reliance on property as the sole retirement asset for many households.

The result is a more diversified and resilient financial system, with KiwiSaver acting as a stabilising institution that channels capital through regulated fund managers into both domestic and global markets. KiwiSaver's growth has also helped build a more professional investment industry, increased demand for financial advice and encouraged clearer rules around fund governance.

As funds under management continue to grow, there is also growing interest in understanding what role KiwiSaver could play in terms of investment in New Zealand businesses and infrastructure projects. In December 2024, it was announced that the Government was progressing a package of reforms aimed at strengthening and growing New Zealand's capital markets. The package includes proposals aimed at enabling investment by KiwiSaver schemes in private (unlisted) assets. Although KiwiSaver can play a valuable role in supporting New Zealand's economic growth through private asset investment, any potential reforms must prioritise member interests, safeguard trust and preserve the simplicity that underpins the scheme's success.

Market structure

The structure of the KiwiSaver industry reflects a blend of market competition and institutional design. The market is moderately concentrated, with the top three providers managing nearly half of all assets and members. This concentration has been shaped by policy choices such as the appointment of default providers and the role of banks as distribution channels.[144]

The early designation of default providers and the inertia of automatic enrolment initially created a strong first-mover advantage, particularly for banks, which leveraged their customer relationships and ability to provide financial advice to cross-sell KiwiSaver products.[145] This advantage underpinned bank dominance for more than a decade before its durability weakened as default allocations have fallen below half of total assets and switching activity has increased. Banks remain influential, but independent providers are gaining share through competitive fees, strong performance and digital engagement.

The system has shown signs of adaptive efficiency. There are now 28 providers, including banks, specialist fund managers and digital-first entrants.[146] New players such as Sharesies, Kernel and Kōura have introduced low-cost, ethical and thematic investment options. They have also developed digital platforms that make it easier for members to engage with their savings. Providers like Simplicity have grown by competing on fees, ethical investing and user experience.

Consumer engagement has improved as choice has expanded. Overall KiwiSaver satisfaction rose to 57% in 2025, up from 52% in 2024.[147] Smaller providers lead on satisfaction because they offer ethical investment options, fair fees and strong digital tools. Increasing numbers of members now express interest in ethical investing, prompting providers to diversify beyond traditional balanced and growth funds.[148] These trends show that KiwiSaver has become more competitive and responsive to consumer preferences over time.

As KiwiSaver has matured, the role of government subsidies has gradually diminished, meaning market dynamics are increasingly driven by product quality, fee structures, performance and

144 MJW (2024).

145 Heuser, Kwok, Snethlage & Watts (2015).

146 The list of providers can be found at www.ird.govt.nz/kiwisaver/kiwisaver-individuals/joining-kiwisaver/kiwisaver-providers

147 Consumer NZ (2025).

148 Mindful Money (2025).

branding, and marketing. Tax treatment also remains relatively neutral across managed funds, with KiwiSaver schemes operating as Portfolio Investment Entities (PIEs) and subject to the same Prescribed Investor Rate (PIR) as other investment vehicles. This consistency in tax treatment helps ensure that investment decisions are not unduly influenced by tax advantages, supporting a more level playing field across the savings landscape.

Member behaviour and fund dynamics

KiwiSaver fund preferences have undergone a marked transformation between 2008 and 2024.[149] Initially, conservative funds dominated the landscape, serving as the default option and attracting over half of all members and funds under management. Following a 2021 policy change that shifted default funds from conservative to balanced, there has been a significant move toward growth-oriented investments. By the end of 2024, nearly half of all KiwiSaver funds under management were held in growth funds, reflecting a broader trend toward higher-risk investment strategies.[150]

This shift is accompanied by a decline in default fund holding. The proportion of default members remaining in default funds dropped from nearly 40% in 2008 to just 10% in 2024, suggesting improving financial literacy and more active fund selection among members. The data also shows that younger members are more likely to invest in growth and aggressive funds, whereas older members tend to shift toward balanced and conservative options. Notably, even members aged 65 and over maintain significant exposure to growth assets, indicating a changing approach to retirement investment horizons.

Gender differences in fund selection are also evident. Men are more likely to invest in higher-risk growth and aggressive funds, whereas women favour balanced and conservative funds. These differences become more pronounced with age and may be influenced by balance size, as men generally hold higher average balances, and higher balances have been linked to greater risk-taking behaviour.[151]

These choices, shaped by KiwiSaver's design, also influence how capital is allocated across the economy. As more members shift toward growth funds, KiwiSaver's role in supporting long-term investment deepens.[152]

Innovation and the future of retirement saving

Innovation is essential for ensuring private saving options remain effective as people's needs change and new challenges emerge. This includes developing new products and services, leveraging technology to make saving easier, and finding better ways to help people plan for retirement. To borrow from the Productivity Commission's report on better social services, the challenges "are complex and are not susceptible to one-off, all-time solutions".[153]

Iwi-led schemes

Iwi-led savings schemes such as Whai Rawa (Ngāi Tahu) and Ka Uruora (Te Atiawa and Taranaki iwi) illustrate how alternative models can emerge to meet the needs of specific communities.[154] These schemes are not KiwiSaver funds, but operate alongside it, offering matched savings, financial education and culturally grounded governance. They often feature more flexible withdrawal rules and stronger community engagement, reflecting Māori values such as manaakitanga and whanaungatanga.

There are currently at least half a dozen iwi-led savings schemes operating in Aotearoa, with more in development. Their growth reflects a broader trend: communities designing financial

149 Reyers (2025).
150 Reyers (2025).
151 Retirement Income Interest Group (2022).
152 Reyers (2025).
153 New Zealand Productivity Commission (2015).
154 Hynds & Leonard (2025).

tools that align with their own values, needs and aspirations. These schemes are particularly important given the structural barriers Māori communities face in mainstream retirement systems, including lower average pay, more insecure work and shorter life expectancy.

They demonstrate how inclusive innovation can strengthen the overall retirement income system:

- Multiple systems working together. Iwi schemes complement KiwiSaver and NZ Super, creating a layered system that allows for diversity in rules, governance and engagement. This improves fit for different populations and fosters innovation.
- Restoring decision rights. By returning control to communities, iwi schemes align financial tools with cultural values and lived experience. This enhances trust, participation and relevance, especially for groups underserved by mainstream providers.
- Benefits of choice. Iwi schemes compete not just on returns, but also on trust, cultural fit and relevance. Their success pressures KiwiSaver providers to improve engagement with Māori members and better reflect the diversity of New Zealand's workforce.

For example, Whai Rawa matches adult contributions dollar for dollar up to $200 annually, and children's contributions at a 4:1 ratio.[155] Ka Uruora integrates financial literacy and housing support, recognising that retirement security is shaped by more than just savings balances.

Their success depends on strong governance and active member engagement and shows how a more diverse and culturally relevant provider landscape can help close saving gaps, improve engagement and ensure that retirement policy reflects the full range of New Zealanders' experiences.

Sidecar savings accounts

KiwiSaver is designed for long-term accumulation, and its lock-in rules are essential for ensuring adequacy in retirement. This can create pressure when members face emergencies, leading to hardship withdrawals that erode balances and increase administrative costs.

Hardship withdrawals from KiwiSaver have been rising in recent years. Although they still affect a relatively small share of members (1.4% made a withdrawal in 2025), the trend has shifted upwards over the past decade, when an average of approximately 0.5% of members accessed their funds early. There will be connections with current cost-of-living issues, but there is no detailed public data to understand the trends; for example, whether members are making multiple applications. Fortunately, Public Trust, the largest supervisor of default funds, is introducing a new system that will be able to collate core reasons for hardship applications and provide anonymised data. The improved ability to understanding the main reasons for hardship applications will assist policy development.

One possible policy solution is the development of sidecar savings accounts linked to KiwiSaver, which could reduce the need for hardship withdrawals by helping members build liquid reserves as well as long-term investments. This approach has been trialled in the United Kingdom to reduce reliance on high-cost credit for unexpected expenses and hardship withdrawals from retirement savings.[156] Financial shocks can derail retirement saving, and sidecars could help mitigate this risk by giving people access to funds without undermining their long-term goals.

The United Kingdom experience highlights the importance of seeing contributions to sidecars as being in addition to rather than in place of retirement savings.[157] For instance, contributions to KiwiSaver could continue as normal, and members could opt in to direct extra contributions into a capped liquid account. This would leverage existing infrastructure while addressing behavioural barriers to saving.

The 2019 Review of Retirement Income Policies referenced this idea as part of a broader strategy to improve outcomes for low- and middle-income earners. Self-employed people may also find sidecar savings more suitable, given their irregular income and reluctance to lock funds into KiwiSaver.[158]

155 Hynds & Leonard (2025).

156 See www.nestinsight.org.uk/research-projects/workplace-emergency-savings

157 Sandbrook, Phillips, Blakstad & Hodgkinson (2020).

158 Te Ara Ahunga Ora Retirement Commission & Hnry (2025).

Fintech

Fintech innovation has the potential to help shape the future of retirement savings in New Zealand, offering new tools and approaches to address gaps in coverage, flexibility and engagement.

Platforms like Hnry have demonstrated how technology can simplify retirement saving for self-employed individuals by automating KiwiSaver contributions based on real-time income, reducing barriers to regular saving and improving outcomes for a group traditionally underserved by mainstream schemes.[159]

Other New Zealand providers, such as Kōura and Simplicity, have expanded access to diversified investment options and enhanced digital engagement, making it easier for individuals to tailor their retirement savings to their personal goals and risk preferences. Another example of innovation is the recently launched Feijoa app[160], which facilitates voluntary contributions to KiwiSaver by rounding up users' everyday purchases and automatically transferring the spare change to their KiwiSaver accounts. This tool has the ability to support improved retirement savings outcomes, particularly for self-employed individuals and those not regularly contributing, for example, by helping them meet the annual threshold for government contribution eligibility.

Collectively, fintech solutions have the potential to foster a more inclusive and adaptive retirement income system, supporting greater participation among underserved groups such as the self-employed.

Decumulation

New Zealand's retirement income system has made progress in helping people save, but it remains underdeveloped when it comes to how those savings are used in retirement. This drawdown phase, known as decumulation, is increasingly important as KiwiSaver balances grow and more people approach retirement.

Financial planning in later life is inherently challenging. People must navigate a range of uncertainties, including how long they will live, how markets will perform, and what unforeseen needs may arise. Unlike other financial decisions, drawing down retirement savings is a one-time, high-stakes process. Most people have no prior experience managing large sums over extended periods and are required to make life-altering choices without the opportunity to rehearse or recover if things go wrong.

Without clear pathways, retirees face complex decisions alone. Many underspend out of caution, whereas others risk hardship by drawing down too quickly.[161]

NZ Super provides a universal, inflation-protected income stream, but it is not sufficient for many retirees to maintain their desired standard of living. The limited availability of decumulation products, such as annuities, managed drawdowns and equity release schemes, has left a gap in the market.

A small number of providers currently operate in this space. Lifetime Income offers one of the few managed drawdown products in New Zealand that provides personalised withdrawal rates. They, along with SBS and Heartland Bank, also offer home equity release products that allow retirees to access housing equity without selling their homes; however, uptake is held back by limited consumer understanding and negative perceptions.

This underdevelopment is partly due to the small size of the New Zealand market and the presence of NZ Super, which may reduce demand for drawdown products.[162] Nonetheless, as the population ages and KiwiSaver balances increase, the need for effective decumulation strategies will grow. Encouraging innovation in product design and improving consumer education are essential to ensure retirees can convert their savings into sustainable income.

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159 Te Ara Ahunga Ora Retirement Commission & Hnry (2025).

160 www.feijoa.kiwi

161 Gamble (2025).

162 Nolan (2018).

A well-designed decumulation framework could help retirees manage risk, maintain income stability and make informed choices. Research highlights the diversity of preferences among retirees. Some prefer flexibility and control; others seek predictability and guidance.[163] Tools like the new Sorted Retirement Navigator have begun to address this gap, but more consistent policy is needed.[164] Box 9 outlines recommendations for strengthening the decumulation phase, including a nationally consistent framework and improved support for decision-making.

Box 9: Improving the decumulation market in New Zealand

O'Connell (2025) recommends adopting a nationally consistent drawdown framework, such as the New Zealand Society of Actuaries' four 'rules of thumb':

- Fixed percentage withdrawal: withdrawing the same percentage of savings each year.
- Inflation-adjusted withdrawal: increasing withdrawals annually to keep pace with inflation.
- Drawdown to a fixed date: spreading savings evenly to last until a chosen age.
- Drawdown based on life expectancy: adjusting withdrawals each year based on expected remaining lifespan.

These options help retirees balance income stability, longevity risk and flexibility. The framework is already available through the Sorted Retirement Navigator tool and could be expanded across the KiwiSaver system.

O'Connell also argues against introducing a government-backed annuity market, citing scale and cost limitations. Instead, the focus should be on drawdown from invested assets, particularly KiwiSaver, which is tax-free and does not affect NZ Super entitlements.

To support better decision-making, O'Connell recommends improved communication, guided retirement solutions from providers and more granular data on drawdown behaviour. Without these changes, there is a risk that policy will be shaped around a small, wealthier minority, rather than the broader population who rely on modest KiwiSaver balances and NZ Super.

Conclusion

KiwiSaver has become a cornerstone of New Zealand's retirement income system. Its success is evident in high participation rates, growing balances, and its role in deepening capital markets and diversifying household wealth. However, important challenges remain, including around gaps in contributions and the need for a more structured approach to decumulation.

Innovation is a key part of the solution. Fintech platforms, iwi-led schemes, and new drawdown products and tools are helping to close gaps and improve engagement, especially for groups who have been underserved. But innovation alone is not enough. Stronger policy settings, better data and clearer guidance are needed to ensure solutions reach those who need them most.

163 Gamble (2025).

164 O'Connell (2025).


08

Safe policy change

Retirement income policies affect how people save, plan and live in later life. They shape expectations across generations and require long-term public confidence. Poorly designed or rushed changes may create confusion, reduce trust and lead to unintended consequences.

The long-term challenge

Jonathan Boston has described retirement income policies as part of a wider, long-term governance problem.[165] He refers to the difficulty democratic governments have in making decisions that benefit future generations. Politicians often focus on short-term issues because that is what voters respond to. As he notes, quoting Al Gore, "the future whispers while the present shouts".[166]

This governance challenge is not new. In 1977, Kydland and Prescott argued that discretionary policymaking often leads to time-inconsistent outcomes.[167] Even well-intentioned short-term decisions can undermine long-term goals, particularly when future governments reverse or dilute earlier commitments. Their work highlighted the importance of embedding policy within stable, rule-based frameworks that are resilient to political cycles and grounded in broad consensus.

Building on this, Barro and Gordon introduced the idea that reputational mechanisms can help mitigate the credibility problem in discretionary settings.[168] Their model showed how governments can build trust over time by consistently following through on commitments, even without formal rules.

New Zealand has successfully used legislative mechanisms to embed long-term discipline in other domains. For example, the Reserve Bank of New Zealand Act 1989 established operational independence in monetary policy, and the Public Finance Act 1989 outlines principles of responsible fiscal management to ensure the effective and efficient use of the Crown's resources.

"‘The future whispers while the present shouts.'"

These examples illustrate how institutional design can support long-term policy credibility, but even with such mechanisms in place, policies to tackle long-term issues, such as retirement income reform, often involve upfront costs and delayed benefits. The benefits may be uncertain or hard to measure, while the costs are immediate and visible. Even when governments make good long-term decisions, there is no guarantee that future administrations will maintain them. This creates a risk that long-term investments won't deliver the expected results.

Retirement income policies are not the only domain with these characteristics. Similar challenges arise in areas like infrastructure and climate change, where long-term planning is essential but politically difficult. Lessons from these can inform how retirement income policy is developed and sustained.

165 Boston (2014). See also Jacobs (2011) and Hale (2024).

166 Boston (2014).

167 Kydland & Prescott (1977).

168 Alesina & Drazen (1989). Barro & Gordon (1983).

Political consensus

Boston notes that the long-term governance problem is especially difficult when political communities are polarised and trust in government is low.[169] In these situations, it becomes harder to agree on long-term goals or to maintain consistent policy over time. This highlights the importance of political consensus and cross-agency stewardship.

Tackling these challenges also requires institutional commitment and a willingness to engage in clear-eyed, forward-looking policy debate. As Paul Spoonley has written, it "is easy enough to forecast both the demographics of ageing and the consequent policy questions. It would be good to have these discussions and debates *before* the event rather than after when our options may be limited."[170]

These issues are especially important for retirement income systems, in which trust and policy credibility play a central role. Retirement income policies span decades and multiple electoral cycles. Without broad support, reforms, especially those with short-term costs, are vulnerable to reversal.[171] Evidence from post-communist countries illustrates this risk: contested pension privatisations were frequently rolled back, undermining system stability.[172] In contrast, reforms backed by cross-party agreements are more likely to endure.[173]

New Zealand's 1993 Accord on Retirement Income Policies was an early attempt to build such consensus. It was seen as a landmark moment, with the *New Zealand Herald* reporting (perhaps too optimistically) that its "main achievement is that, after 20 years of upheaval, it takes Super off the political agenda". [174] The Accord did help stabilise policy in the short term, but its influence waned over time.

Box 10: The 2024 Super Summit

The 2024 Super Summit, hosted by the Retirement Commission, demonstrated that consensus is possible, even amid diverse views.[175] This one-day event in March 2024 fostered informed, respectful and evidence-based dialogue on the future of NZ Super.[176] Bringing together leading academics, economists, political figures and commentators, the summit explored the fiscal, social and political dimensions of NZ Super across four expert panels. Despite differing views, broad consensus emerged on the importance of long-term planning, maintaining dignity in retirement and the need for cross-party dialogue to ensure a stable approach across governments.

In 1997, the final report of the Periodic Report Group recommended building on the Accord. It proposed multi-party talks to develop principles for retirement income policies that would be followed by moves towards developing policy details. To manage change within the agreement, it was also recommended that "allowance could be made for some policy differentiation. This could be achieved by agreeing on a restricted set of parameters rather than one distinct policy."[177] This is important as it highlights the need to balance the desirability for certainty and stability with the appropriate "competition of ideas" in a democracy.[178]

169 Boston (2014).
170 Spoonley (2020), p. 236.
171 Diaz-Gimenez & Saavedra (2024) and Ortiz, Duran-Valverde, Urban & Wodsak (2018).
172 Wilson Sokhey (2017).
173 Tompson (2009), Diaz-Gimenez & Saavedra (2024), and Ortiz, Duran-Valverde, Urban & Wodsak (2018).
174 Todd (2008), p. 10.
175 Te Ara Ahunga Ora Retirement Commission (2024a).
176 Te Ara Ahunga Ora Retirement Commission (2024a).
177 Todd (2008), p. 17.
178 Todd (2008), p. 15.

The 1997 report also noted that longer-term and major policy changes needed to be pursued only after these multi-party talks. As Todd stated, "the appropriate action needed to be decided once there had been an opportunity for the politicians and the public to discuss the options and sort through the difficult trade-offs required".[179]

To support ongoing consensus, a political commitment clause was included in the New Zealand Superannuation and Retirement Income Act 2001. This allows political parties to signal their support for current policy settings and requires the Government to disclose whether consultation has taken place with other listed parties. Currently, the New Zealand National Party, Labour Party and Green Party offer political commitment to Part One of the Act (NZ Super), while only National and Labour do so for Part Two (the NZ Super Fund).

Lessons can also be drawn from experiences overseas. Finland, for example, embeds structured, cross-party approaches into its governance systems. Each government is required to produce a report on the future every parliamentary term, which is scrutinised by a Parliamentary Committee for the Future. This helps maintain stability and shared direction across electoral cycles.[180]

Further, Sweden's Pension Agreement, established in the 1990s, created a cross-party working group that continues to oversee the pension system. This group helped design a system that is both fiscally sustainable and politically resilient, including automatic adjustment mechanisms that depoliticise key parameters like retirement age and contribution rates. Internationally, there is growing interest in approaches that automatically adjust pension systems to account for people living longer; as noted on page 44, nine OECD countries currently have automatic indexation of retirement age to life expectancy.[181]

These examples show that institutional design matters. Mechanisms that embed long-term thinking, encourage cross-party dialogue and support public engagement can help overcome the time-inconsistency problem, in which short-term political incentives undermine long-term policy goals. They also help build trust, which is essential in retirement income policy. Without trust, people may under-save, over-rely on public provision or resist necessary reforms.

New Zealand has seen several examples of successful cross-party work in recent years. For instance, the Finance and Expenditure Committee worked with the Primary Production Committee on a joint inquiry into banking competition. Their recommendations aimed to improve fairness and access, especially in rural areas. Labour and National MPs have both introduced legislation to tackle modern slavery, with strong support across Parliament. A cross-party group of MPs from National, New Zealand First, Labour, ACT and the Greens recently visited Pacific nations as part of the NZ-Pacific Interparliamentary Friendship Group, showing a shared interest in regional cooperation.

There are a number of ways New Zealand could build on this kind of cooperation to support long-term thinking in retirement income policy. These include:

- Setting up a select committee focused on retirement income, with members from all parties.
- Creating an all-party working group, led by either the Retirement Commission or Parliament.
- Establishing a standing Commission or Expert Group with cross-party membership and independent leadership.
- Renewing the 1993 Accord, with agreed principles and guidelines for future reform.

These options wouldn't remove all disagreement, but they would provide a clear and structured way to manage it. They could also help make sure that any changes are stable, well understood, and aligned with long-term goals.

179 Todd (2008), p. 18.

180 Boston (2014).

181 Mitchell & O'Quinn (2024).

> **Long-term thinking... cross-party dialogue and... public engagement can help overcome the time-inconsistency problem.**

Cross-agency stewardship

New Zealand's retirement income system spans multiple agencies, including the Commission, Treasury, Inland Revenue, Ministry of Business, Innovation and Employment, Ministry of Social Development, the Financial Markets Authority and population-focused agencies such as the Ministry for Women.

Despite this breadth, there is no formal mechanism to coordinate strategy, share data or align efforts across these actors. Work remains fragmented, and coordination is often informal or ad hoc. This fragmentation limits the system's ability to respond to emerging risks and track long-term outcomes.

Similar concerns were raised by the Helen Clark Foundation's *Ageproofing Aotearoa* report, which highlighted the need for joined-up planning and policy coordination.[182]

This is a classic example of a horizontal policy challenge operating within a vertically accountable system. As the Productivity Commission noted in its 2015 inquiry into social services, "the strong vertical lines of accountability in government silos run all the way from ministers to the frontline of service delivery", but "no one has visibility of the system as a whole and of its performance". The result is duplication, gaps and missed opportunities for joined-up solutions.

A shift toward system stewardship is needed. This means moving beyond agency-specific mandates to focus on the performance of the retirement income system as a whole. It requires:

- Shared goals and a common work programme
- Joint accountability for outcomes
- Integrated data and evidence
- Mechanisms for public engagement and feedback.

New Zealand already has models to draw on. One is the Generic Tax Policy Process (GTPP). Introduced in 1995, the GTPP provides a structured, transparent and consultative approach to tax policy development. It includes strategic, tactical, operational, legislative and review phases, and has helped align tax policy with long-term goals. As the 2001 Tax Review noted, "Major tax initiatives are now subjected to much greater public scrutiny at key stages in their development. The process enables policy advisers to develop more practical options for change, through consultation with professional associations, tax practitioners and those who will be affected by the proposed reforms."[183]

182 Mercier (2025).

183 McLeod, Patterson, Jones, Chatterjee & Sieper (2001), p. 23.

The GTPP's core principles of early engagement, cross-agency coordination and regular review remain highly relevant. A similar approach could be applied to retirement income policy. Embedding these principles would help ensure that reforms are not driven by short-term pressures or siloed decision-making. It would also support better use of data, more consistent communication with the public and a stronger foundation for future reform. Improved engagement with members of the public would be especially beneficial.[184]

Another model is the social investment approach, developed in the early 2010s, which emphasises using data and evidence to target interventions where they will have the greatest long-term impact. It promotes early action, cross-agency collaboration and continuous evaluation, which are principles that align closely with the stewardship model proposed in this review.

Similarly, the Infrastructure Commission's long-term planning framework provides a structured, transparent and consultative model for managing complex, intergenerational challenges. There is also an agreed framework in climate change policy, with the Climate Change Response Act 2002 and related requirements and institutions.

These approaches demonstrate how durable reform can be supported by clear goals, shared accountability and robust public engagement. Applying these lessons to retirement income policy would help ensure that reforms are not only well-designed but also resilient and trusted over time.

To support this shift, the timing and scope of future triennial reviews by the Commission should be aligned with a cross-agency work programme. This would ensure that reviews are better timed to inform key decisions, reduce duplication and reflect shared priorities across government. Until such a framework is in place, this review does not recommend changes to the review cycle, as doing so would pre-judge decisions that should be made as part of new governance arrangements.

> **“Durable reform can be supported by clear goals, shared accountability and robust public engagement.”**

184 Pensions Policy Institute (2023).

Building a learning system

Because retirement income policies affect people over many decades, they must be regularly reviewed and improved. As the Productivity Commission noted, learning systems need clear goals, strong incentives to innovate and timely information flows that support decision-making. Evaluation should be embedded into policy design from the outset and findings should inform future decisions.[185]

Set long-term goals

Retirement income policies are about planning for the long-term. Like decisions about infrastructure or climate, the choices we make today will shape outcomes for decades to come.

Taking a long-term view will help with anticipating challenges and managing risks. It also supports more joined-up planning and ensuring the retirement income system remains effective as New Zealand continues to change.[186]

The decisions made now will influence who contributes to the system and who benefits from it in the future. This raises important questions about fairness between generations.[187]

Stability is another key ingredient. People plan for retirement over many years, and rely on clear, predictable rules to make informed choices. Sudden or unclear changes can undermine confidence and discourage saving. Retirement income policies also connect with other areas, including housing, health, employment and tax. A change in one part of the system can affect outcomes elsewhere.[188]

Policy consistency is essential too. Although policies may be tailored to meet specific needs, they should do so in a way that reflects consistent principles and maintains coherence across the system. When exemptions are introduced, they can set precedents that lead to further carve-outs, weakening the coherence of the system. Over time, this can increase administrative complexity and reduce trust. A consistent framework helps ensure that reforms are durable, and easier to communicate and implement.

Consistency also helps build credibility.[189] When policies are applied predictably, public trust grows. This credibility can, in turn, foster confidence among stakeholders and lay the groundwork for broader consensus. When a programme is well-developed, the public is more likely to buy into it. And consensus supports long-term stewardship and reduces the risk of reactive or fragmented reform.

Recognise trade-offs and values

Any changes to retirement income policies mean balancing a complex mix of goals, like adequacy, sustainability and simplicity. Each comes with trade-offs, and improving one often affects another.[190] For example, increasing adequacy may require higher public spending, which can put pressure on fiscal sustainability. Targeting benefits to improve fairness may also reduce simplicity and add administrative complexity.

These trade-offs are not just technical decisions – they reflect deeper values about what kind of society we want to be. Some prioritise universal simplicity, valuing the clarity and predictability of flat-rate entitlements. Others support targeted approaches that direct resources to those who need them most. Recognising that no system can meet every goal perfectly is essential for clear-eyed policymaking. Public engagement plays a key role in navigating these tensions. Consultation helps bring different priorities to the surface, supports consensus around workable compromises and strengthens legitimacy.

185 New Zealand Productivity Commission (2015).

186 Boston (2017).

187 Katz (2025a) and Spoonley (2020), p. 244.

188 Tompson (2009).

189 Douglas (2010).

190 Gustafsson (2023) and Barr & Diamond (2006).

Timing reform

International experience shows that retirement income reforms are most successful when they are well sequenced and clearly communicated.[191]

Poor sequencing can create confusion, reduce public support, and lead to unintended consequences. For instance, if a government were to raise the age of eligibility for NZ Super before improving support for older workers or addressing health inequities, the reform could disproportionately harm those who are unable to work longer due to caregiving responsibilities or chronic illness.

Early planning allows time to test ideas, build support and implement changes incrementally. It also creates opportunities to address existing gaps in the system, particularly for women, Māori, Pacific Peoples and the self-employed.

Delaying planning reduces the range of available options and increases risks. As the population ages, more people will be affected by any changes, and the window for gradual adjustment narrows. If planning is delayed too long, changes may need to be introduced quickly, catching people by surprise, undermining confidence and making it harder for individuals to prepare for retirement.

Gradual implementation allows people most affected by reform, such as people close to retirement or those with lower incomes, to adjust over time. Predictable rules, including clear indexation formulas and automatic adjustments, help people plan with confidence and reduce the risk of sudden shocks.

Responsiveness is equally important. Even well-designed reforms require ongoing monitoring and adjustment. Regular reviews, robust data and public feedback create a feedback loop that supports continuous improvement. This approach helps ensure the system remains effective and inclusive as circumstances change.

Embed monitoring and evaluation

To remain effective, retirement income policies must be monitored, evaluated and refined. This is especially important in a system that spans decades and affects people in different ways throughout their lives. This triennial Review of Retirement Income Policies addresses this in part, but it is not well connected into government forward planning.

Evaluation needs to recognise that retirement income policies do not operate in isolation. They are closely connected with tax, housing, employment and social support. For example, KiwiSaver settings influence reliance on NZ Super, tax rules affect the value of government contributions, and employer practices shape how individuals save through work.

Taking a system-wide view helps avoid unintended consequences and supports joined-up planning across policy domains. This is essential for designing policies that are coherent and resilient. Cross-agency coordination and whole-of-system impact assessments can help ensure that changes in one area do not undermine outcomes in another.

“To remain effective, retirement income policies must be monitored, evaluated and refined.”

191 Tompson (2009), NEST (2020), and Brezzi, D’Costa & Tompson (2021).

Improving data

To design effective policies, policymakers need detailed insights into how different groups save, invest and withdraw funds over time. This requires moving beyond high-level aggregates to capture disaggregated data on KiwiSaver contributions, balances and withdrawals, as well as broader measures of household wealth, debt and savings behaviour.

Ideally, this would be achieved through longitudinal data. Tracking individuals' savings patterns over time reveals how life events, such as job changes, caregiving responsibilities and economic shocks, affect financial outcomes. The discontinuation of the Survey of Family Income and Employment (SoFIE) left a major gap in this area. A new, purpose-built longitudinal survey, similar to those used in Australia[192] and Europe,[193] would be the gold standard for evidence-based reform,[194] but given current resource constraints and the direction of New Zealand's data system, such a survey is unlikely to be commissioned in the near future.

> **"Policy must be led by evidence, not assumptions."**

Instead, the data system is increasingly shifting toward more use of administrative data, with the Integrated Data Infrastructure (IDI) at its centre. The IDI enables policymakers to link KiwiSaver contributions with other life domains such as health, education and employment. This offers potential for system-wide analysis and joined-up policy design.

However, the IDI does not currently include KiwiSaver balances data. Without this, it is difficult to assess savings adequacy or equity across demographic groups. Addressing this gap would unlock deeper insights and allow for more targeted interventions.

KiwiSaver providers hold rich, disaggregated data that is not currently accessible to policymakers. Encouraging providers to share anonymised data, particularly on balances, hardship withdrawals and withdrawal purposes, would improve transparency and support smarter decision-making.

Supervisors also have an important role as the independent decision-maker for each early withdrawal application. They play a role in supporting consistency between providers and facilitating consistent reporting and data access in this area.

Existing surveys could also be better used. For example, the Business Operations Survey provides valuable insights into employer behaviour and could be leveraged to understand retirement savings practices at the firm level, including the use of total remuneration policies and employer contribution strategies.

By investing in better data infrastructure, New Zealand can ensure that retirement income policies are grounded in evidence and capable of meeting future challenges. As Littlewood and Chamberlain argued, policy must be led by evidence, not assumptions.[195]

192 The Household, Income and Labour Dynamics in Australia Survey (HILDA).

193 The Survey of Health, Ageing and Retirement in Europe (SHARE) and the English Longitudinal Study of Ageing (ELSA).

194 Chamberlain & Littlewood (2019).

195 Chamberlain & Littlewood (2019).

Conclusion

Durable reform depends not only on good ideas but on how those ideas are developed, communicated and implemented. Trust is strengthened when policies are stable, transparent and grounded in shared values. It is weakened when decisions are rushed, fragmented or poorly explained.

Current arrangements are not well suited to the long-term nature of retirement income policy. Fragmentation across agencies, limited coordination and the absence of a shared work programme make it harder to respond to emerging risks or plan for future pressures. A more structured approach is needed, one that brings together government, industry and the public to shape a coherent, evidence-based strategy.

Monitoring and evaluation must also be strengthened. Better data, especially on KiwiSaver balances and withdrawal patterns, will help policymakers understand how the system is working and where improvements are needed.

09

Recommendations

This chapter discusses the recommendations of the review. It is organised into three parts. The first part discusses the problem definition, drawing on the quadrant framework introduced in an earlier chapter to explain the diversity of retirement needs and how that underpins policy responses. The second part presents some practical actions that can be taken now, and the third part sets out recommendations that support long-term stewardship. Together, these recommendations aim to strengthen fairness, sustainability and public trust in New Zealand's retirement income system.

Problem definition: responding to diverse needs in retirement

Retirement in New Zealand is not a uniform experience. People's needs differ significantly depending on factors such as income, housing, work history and financial confidence. To be effective, policy must reflect this diversity.

To guide more targeted responses, the review introduced a quadrant framework that maps retirement needs along two dimensions: the complexity of financial circumstances (from simple to complex) and the capacity to plan and coordinate (from low to high). This framework helps identify where universal settings are sufficient, where light-touch support may be appropriate, and where more tailored or intensive interventions are required.

The framework underpins the review's recommendations and highlights how different groups face different challenges. For example, while universal settings such as NZ Super and KiwiSaver work well for people with straightforward needs and high financial confidence, others, including low-income earners, caregivers, older workers, migrants and those with interrupted work histories, require more support.

To respond to these needs, this review looked at three main areas for improvement, based on the terms of reference:

- Targeted policy reforms
- Targeted system improvements and innovations
- Improved stewardship of the retirement income system.

Targeted policy reforms

Changes here could help individuals with more complex financial needs or lower capacity to plan, particularly those who have historically missed out on the benefits of KiwiSaver. These groups often face barriers that limit their ability to participate fully in the system, including lower incomes, irregular work patterns, and caregiving responsibilities.

The review proposes a set of fiscally neutral changes to improve outcomes. The focus is on extending support to those most in need, improving the effectiveness of the scheme, and ensuring employer contributions are genuinely additional. These changes are especially relevant for people in the lower-capacity quadrants of the retirement income framework, where targeted support can make the greatest difference.

Targeted system improvements and innovations

In addition to the policy reforms, there are system improvements and innovations that can be implemented now to enhance the performance of the retirement income system. These improvements are particularly important for individuals in the lower-capacity quadrants of the framework, those with straightforward needs but limited financial confidence, and those facing complex challenges with limited ability to plan.

By simplifying processes, improving data quality and enhancing system usability, these changes can reduce barriers to participation and ensure that the system works better for everyone. For example, streamlining hardship withdrawal processes, improving payroll systems to support employer contributions during parental leave, and strengthening data integration can help ensure that administrative systems do not inadvertently disadvantage those who are already underserved. These improvements are low-cost and can be implemented quickly to deliver meaningful benefits across all four quadrants of need.

Improved stewardship of the retirement income system

For people whose needs span multiple systems, such as tax, housing, employment and social support, stronger system-level coordination is essential. The review recommends governance reforms to improve stewardship, data sharing and policy alignment. These changes will help support individuals with complex needs, ensuring decisions are coherent, evidence-based and aligned with long-term goals.

Changes in this area also support individuals with higher capacity to plan but whose needs may become more complex over time. This review highlights that, as KiwiSaver matures, ongoing innovation will be needed to ensure the system remains fit for purpose. This includes developing new tools for the self-employed, iwi-led savings schemes, and improved drawdown products. These changes will help the system remain responsive to changing needs.

The following sections discuss these reforms in more detail.

Taking action where we can make a difference right away – targeted policy reforms

This review identifies four targeted policy changes that can be implemented in the short term to improve coverage and system performance. These changes respond to specific gaps in the current retirement income system and can be made through reallocating existing spending on the government contribution to KiwiSaver, with no additional fiscal cost. The recommendations are explained briefly below and draw on discussion earlier in this report.

Actions we can take now – policy

1. Extend the KiwiSaver parental leave government contribution to $1,000, regardless of whether the member makes contributions

Rationale: Addresses savings gaps during parental leave, especially for women and caregivers. Current arrangements have very low take-up and low-income earners are underrepresented	**Discussion:** Chapters 6 and 7

2. Increase KiwiSaver government contribution for low income earners

Rationale: Improves equity and targets support where it's most needed. Helps those who rely more heavily on government contributions	**Discussion:** Chapter 3 and 6

3. Remove unnecessary KiwiSaver exclusions. Mandate employer contributions for people over 65. Allow those on temporary visas to join KiwiSaver and receive matched employer and government contributions

Rationale: Promotes inclusivity and reflects the diversity of the workforce. Older workers and migrants are currently disadvantaged	**Discussion:** Chapters 6 and 7, and the 2022 Review of Retirement Income Policies

4. Ban the use of total remuneration policies in KiwiSaver employer contributions

Rationale: Total remuneration policies allow employers to offset KiwiSaver contributions against base salary, undermining the intent of the scheme and reducing actual take-home pay. Banning this practice would ensure KiwiSaver contributions are genuinely additional	**Discussion:** Chapter 7 and the 2022 Review of Retirement Income Policies

Recommendation 1:

Extend the KiwiSaver parental leave government contribution to $1,000, regardless of whether the member makes contributions

Parental leave is a critical period in life that can disrupt retirement saving, particularly for women and caregivers. Currently, people on paid parental leave may struggle to maintain KiwiSaver contributions, which can lead to long-term gaps in retirement savings.

Since 1 July 2024, the Government has been contributing 3% to KiwiSaver accounts for recipients of Paid Parental Leave, provided they make their own contribution of at least 3%. This aims to ensure that individuals on parental leave continue to build their retirement savings during this period.

In 2025, 57,635 people received Paid Parental Leave. Of those, 12,390 continued contributing to KiwiSaver, which meant they qualified for the government KiwiSaver parental leave contribution. Among those eligible:

- 60% had incomes below $75,000, indicating that the majority of recipients fell within low to middle income brackets.
- Overall, the take-up of the KiwiSaver parental leave contribution sat at approximately 21%. Before the policy change to introduce the KiwiSaver parental leave contributions, about 15% of people continued their own contributions.
- Although take-up rates increased across the income distribution as a result of this change, the largest increases in take-up were for people with higher incomes, and for all groups take-up remained low.

This review recommends extending government contributions to all caregivers on paid parental leave, regardless of whether they are making member contributions. A significant number of Paid Parental Leave recipients are eligible for KiwiSaver contributions, but actual take-up could be improved, particularly among lower-income earners.

The Commission modelled options for extending the coverage of the KiwiSaver parental leave. In all cases, members do not need to continue making member contributions to quality for the KiwiSaver parental leave contribution.

- Extending the KiwiSaver parental leave contribution to all members who had been contributing prior to taking parental leave.
- Extending the KiwiSaver parental leave contribution to all members, irrespective of whether they had been contributing prior to taking parental leave.
- Providing all KiwiSaver members who take parental leave a one-off payment of $1,000 per parental leave period.

The Commission also estimated the impact of these payments on member balances at retirement and modelled the impact on scenario families. Key figures are shown in Table 4. The figures are all shown in nominal terms.

Table 4: Modelling of Paid Parental Leave options

Reform	Total annual fiscal cost at 4% contribution rate	Total increase in recipients' retirement savings	Scenarios showing estimated increase in KiwiSaver balances at age 65 Joining KiwiSaver at age 25 with income as stated, first child at age 30, second (if applicable) at age 33	
			$30k income, one child	$60k income, two children
4% to all members contributing before going on leave	$11 million	$34 million	$2,106	$4,118
4% to all members	$17 million	$56 million	$2,106	$4,118
$1,000 to all members	$34 million	$97 million	$4,025	$7,193

The Commission's recommendation is a one-off $1,000 payment to all KiwiSaver members who take parental leave. This costs around $34 million, would be simple to administer, would help ensure high take-up, and directly addresses gaps in retirement saving. Implementation would require careful coordination with Inland Revenue and KiwiSaver providers.

Recommendation 2:

Increase KiwiSaver government contribution for low income earners

Government contributions to KiwiSaver play an important role in supporting adequacy in retirement savings. Under the policy settings in place prior to Budget 2025, the government contribution accumulated to approximately $20,000 over 40 years (in today's dollars) for individuals who contributed at least $1,042 per year.

Reyers and Mawson compared the accumulated value of government contributions under the previous policy settings with those introduced in Budget 2025. They showed:

- For members earning less than $30,000, the government contribution previously represented 15% to 20% of the total KiwiSaver balance at age 65. Following the policy change, this proportion dropped to 6% to 11%.
- For members earning $100,000, the contribution fell from 5% to 1% of the accumulated balance.
- For members earning $180,000, it declined from 3% to 0% over the full 40-year period.

To improve targeting, the Commission modelled three options for adjusting the Government contribution:

- A government contribution of 25 cents per dollar saved up to $500 per annum
- A government contribution of 50 cents per dollar saved up to $500 per annum
- A government contribution of 50 cents per dollar saved up to $1,000 per annum.

In all cases, the fiscal constraint was set at the model's estimate of the cost of the government contribution under current policy settings ($545 million), minus the cost of the Paid Parental Leave proposal.[196] Temporary visa holders were included in the model. This approach of providing targeted relief to lower income savers is similar to the low-income superannuation tax offset (the LISTO) in Australia.

The Commission also estimated the impact of these options on member balances at retirement for scenario cases. This modelling assumes no changes in behaviour and no material impact on total retirement savings, as the overall spend on the government contribution is unchanged. All figures are nominal.

Figure 18 shows the distribution of this spending. Key figures are summarised in Table 5.

Figure 18: Government contribution as a percentage of total balance after 40 years by earnings

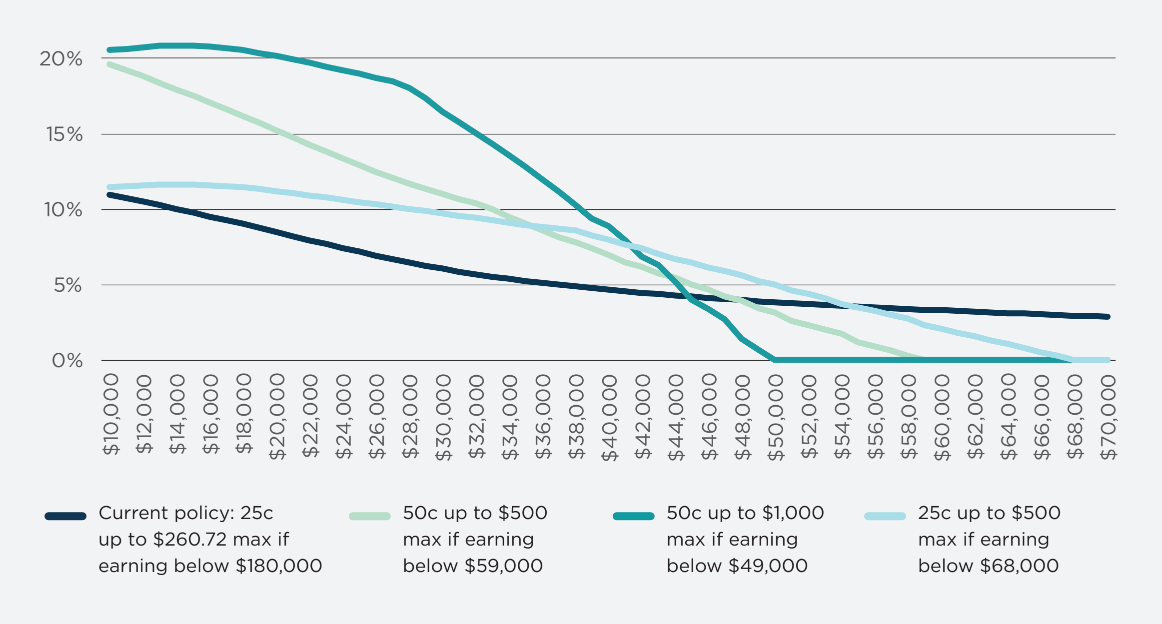


Table 5: Modelling of options for targeting the government contribution

Government contribution per dollar of saving	Income at which no longer eligible for government contribution	Scenarios: Change in balance after 40 years for contributing members with incomes below		
		$30,000	$45,000	$70,000
25c up to $500 maximum contribution	$67,000	$16,000 (4.1%)	$13,000 (2.4%)	-$22,000 (-2.9%)
50c up to $500 maximum contribution	$58,000	$22,000 (5.6%)	$4,000 (0.8%)	-$22,000 (-2.9%)
50c up to $1,000 maximum contribution	$49,000	$49,000 (12.5%)	-$1,000 (-0.2%)	-$22,000 (-2.9%)

196 The Commission has estimated government spending on KiwiSaver subsidies at $545 million in FY2025/26. The cost of the parental leave recommendation is $34 million. The Commission modelled options for targeting government contributions with a fiscal cost of $511 million. This assumed that eligibility ceases once income exceeds the threshold, although in practice it could be possible to taper out the contribution. The effect of this on issues like effective marginal tax rates would require consideration. Note this modelling also includes the cost of providing KiwiSaver to temporary visa holders, as they are included in the income distribution in the model. The temporary visa recommendation has been separately estimated to cost $40 million and these costs are separated out in Table 1 for transparency. The banning of total remuneration is assumed to have no direct fiscal cost, although there will be a cost to the government as an employer, it is assumed that this will be absorbed in lower wage growth (consistent with Treasury modelling for the 2025 Budget changes).

Assuming no extra funding is available, the review recommends adjusting matching rates to provide higher contributions for lower-income earners and lowering the income cap to ensure more targeted access to government support.[197] Possible options for doing this are shown in the table above.

These changes could be made within the current envelope of spending on the government contribution. This would improve retirement outcomes for vulnerable groups while maintaining fiscal sustainability.

Recommendation 3:

Remove unnecessary KiwiSaver exclusions. Mandate employer contributions for people over 65. Allow those on temporary visas to join KiwiSaver and receive matched employer and government contributions

People aged 65 and over are eligible to join and contribute to KiwiSaver, but employer contributions are not compulsory for this group. Requiring employer contributions to continue for people over 65 who continue to contribute would help ensure that older workers are not disadvantaged compared to younger colleagues.

These changes would better reflect the diversity of New Zealand's workforce and align KiwiSaver with international best practice. This recommendation relates specifically to employer contributions, and would not change the current government contribution eligibility, which would still end at age 65, as over-65s are generally eligible for NZ Super.

Currently, individuals on temporary visas are not eligible to join KiwiSaver, even if they are actively working and contributing to New Zealand's economy. The 2022 Review of Retirement Income Policies identified this exclusion as a policy consideration and recommended its removal. The exclusion of individuals on temporary visas stands in contrast to countries such as Australia, the United Kingdom and the USA, where temporary migrants are allowed to join similar retirement schemes.

As shown on page 56, the implications of this exclusion are significant, particularly when considering the rate at which temporary visa holders transition to permanent residency or citizenship. It has a notable financial impact on migrants' retirement savings, as they are unable to contribute to KiwiSaver, and miss out on the employer and government contribution during their time on temporary visas.

Expanding KiwiSaver eligibility to include temporary visa holders would enhance their retirement outcomes and could make New Zealand a more attractive destination for the global labour force. As is already the case for all KiwiSaver members, if a person in future permanently emigrates from New Zealand and withdraws their savings, any government contributions would be repaid to the Crown before the account is closed. This policy ensures that public funds remain within the system and is consistent with current KiwiSaver rules.

197 The Commission has estimated government spending on KiwiSaver subsidies at $545 million in FY2025/26. The cost of the parental leave recommendation is $34 million. The Commission modelled options for targeting government contributions with a fiscal cost of $511 million. This assumed that eligibility ceases once income exceeds the threshold, although in practice it could be possible to taper out the contribution. The effect of this on issues like effective marginal tax rates would require consideration. Note this modelling also includes the cost of providing KiwiSaver to temporary visa holders, as they are included in the income distribution in the model. The temporary visa recommendation has been separately estimated to cost $40 million and these costs are separated out in Table 1 for transparency.
The banning of total remuneration is assumed to have no direct fiscal cost, although there will be a cost to the government as an employer, it is assumed that this will be absorbed in lower wage growth (consistent with Treasury modelling for the 2025 Budget changes).

Recommendation 4:

Ban the use of total remuneration policies in KiwiSaver employer contributions

Banning the use of total remuneration policies in KiwiSaver employer contributions will stop employers offsetting KiwiSaver contributions against base salary, effectively reducing take-home pay and undermining the intent of the scheme. Research shows that nearly half of employers use total remuneration approaches for at least some employees.

In guidance provided to employers when KiwiSaver was introduced, they were advised that "employees and employers alike have a stake in lifting the saving performance of New Zealand. Increased savings helps employees enjoy a higher standard of living in retirement and also increases the supply of domestic savings that can be invested in New Zealand businesses, helping local businesses grow".[198] However, the prevalence of total remuneration contracts has removed the incentive that is the employer contribution on top of salary and wages for many employees.

Some employers argue that total remuneration ensures parity and consistency between KiwiSaver members and those who have not joined the scheme or are ineligible due to temporary visas.[199] The removal of exclusions discussed in the previous recommendation would mitigate the second aspect and, while there may have initially been lower levels of enrolment in the first years of KiwiSaver, this is no longer the case. There are high levels of KiwiSaver membership for the working age population in general, with enrolment levels especially high among younger cohorts (97% of people aged 25–34, and 95% of people aged 35–44 are KiwiSaver members), and almost 90% of eligible paid employees currently contributing to the scheme.[200]

The upcoming increases in employer contribution rates will further highlight the disincentives created by the total remuneration approach. Unless pay packages increase for employees on total remuneration contracts, those who contribute to KiwiSaver will see their pay decrease immediately as the employer contributions increase. This may lead people on total remuneration contracts to opt out of the default contribution rate and reduce their contributions to 3% or suspend their savings. At the same time, employers who currently pay KiwiSaver on top of base salary may switch to a total remuneration model to pass the cost of the contribution increase directly to employees.

Banning total remuneration practices would ensure that KiwiSaver contributions are genuinely additional to salary and wages, restoring the integrity of the scheme and improving retirement outcomes, especially for lower-paid workers and those in industries where such practices are common. This reflects the original intent of the KiwiSaver Act 2006, which envisaged employer contributions being made on top of salary and wages to encourage additional retirement savings, rather than being absorbed into existing pay through total remuneration arrangements.

This recommendation complements the removal of age and visa-based exclusions: once all workers are eligible for KiwiSaver, it becomes even more important to ensure that employer contributions are applied consistently and fairly.

198 See www.treasury.govt.nz/publications/information-release/kiwisaver-extended-questions-answers#section-2

199 IPSOS (2025b).

200 Te Ara Ahunga Ora Retirement Commission (2024b).

Taking action where we can make a difference right away – system improvements and innovations

This review identifies four system improvements and innovations that can be implemented in the short term to improve coverage and system performance. As with the recommendations above, they respond to specific gaps in the current retirement income system and could be made through reprioritising existing funding. These recommendations are explained briefly below and draw on discussion earlier in this report.

Actions we can take now – system improvements and innovations

5. Work with KiwiSaver providers and supervisors to enrich the regular, anonymised reporting of balances, contributions and withdrawals (including hardship), and improve integration with other administrative data sources

Rationale: Better data is essential for designing effective and fair KiwiSaver policies. Current gaps in information, such as limited access to balance and withdrawal data, make it difficult to assess whether people are saving enough or to identify where support is most needed. Improved data would allow for more targeted and evidence-based decisions	**Discussion:** Chapters 7 and 8

6. Improve KiwiSaver administrative processes, including standardising and optimising hardship withdrawals, and updating payroll systems to better support employer contributions during parental leave

Rationale: Makes the system easier to use. These changes reduce friction for members and employers, especially those with lower capacity to plan, and help ensure KiwiSaver settings are applied consistently and fairly	**Discussion:** Chapters 6 and 8

7. Design and trial sidecar/emergency savings accounts

Rationale: Reduces reliance on hardship withdrawals, improving financial resilience, and helps maintain KiwiSaver's focus as a retirement savings scheme. Sidecar accounts allow members to build liquid savings alongside long-term retirement savings, aiding those with lower financial capacity manage short-term shocks without undermining their retirement outcomes	**Discussion:** Chapters 6 and 7

8. Develop a nationally consistent decumulation framework

Rationale: Supports better drawdown decisions and retirement planning. A consistent framework would help retirees navigate complex choices around how to use their savings, improving adequacy and reducing longevity risk	**Discussion:** Chapters 5 and 7

Recommendation 5:

Work with KiwiSaver providers and supervisors to enrich the regular, anonymised reporting of balances, contributions and withdrawals (including hardship), and improve integration with other administrative data sources

To make better decisions about KiwiSaver policy, we need more detailed and reliable data. At present, there are gaps in what we know. For example, we do not have good information on KiwiSaver balances, how people use their savings, or how hardship withdrawals affect long-term outcomes. This makes it harder to understand whether people are saving enough and where support is most needed.

Adding KiwiSaver balances to the Integrated Data Infrastructure (IDI) would be a useful step. This would allow researchers and policymakers to link savings data with other areas such as income, caregiving and housing. It would help us see how life events affect retirement savings and identify groups who may be falling behind.

Public Trust, which supervises many KiwiSaver providers, is introducing a new digital process for early withdrawals for financial hardship, serious illness, and life-shortening congenital conditions. This will enable improved data capture that could inform, among other things, future policy development.

In the longer term, better use of existing administrative data in the IDI can support more detailed, long-term analysis of KiwiSaver outcomes. By linking KiwiSaver data with other information such as income, employment and caregiving, we can build a clearer picture of how people save over time and what factors influence their retirement outcomes. This approach avoids the need for a new survey and makes use of data that is already being collected.

Recommendation 6:

Improve KiwiSaver administrative processes, including standardising and optimising hardship withdrawals and updating payroll systems to better support employer contributions during parental leave

Improving how KiwiSaver is administered can make the system easier to use and more consistent for both members and employers. This recommendation focuses on two practical changes. First, standardising and optimising hardship withdrawal processes would reduce confusion and delays for people applying for early access to their savings, while continuing to ensure consistent application of withdrawal guidelines. Although providers consistently apply the same set of rules, variations in the forms used across providers can create a burden for members and financial advisers, who must ensure the information is presented in the correct format. Second, updating payroll systems would help employers make KiwiSaver contributions during parental leave, especially when no income is being paid. These changes are especially important for people with lower financial confidence or more complex needs, such as caregivers and those facing financial stress.

Recommendation 7:

Design and trial sidecar/emergency savings accounts

Some people face financial emergencies that lead them to withdraw money early from their KiwiSaver accounts. This can reduce their retirement savings and make it harder to plan for the future.

One way to help is by offering sidecar or emergency savings accounts. These accounts would sit alongside KiwiSaver and allow people to build up short-term savings they can access when needed. This could reduce the number of hardship withdrawals and improve financial resilience, especially for people with lower incomes or less stable work.

Trials in other countries show that this approach can work well when contributions to sidecar accounts are treated as extra savings, not a replacement for retirement saving. Some of the key questions to consider in designing a New Zealand trial include whether the accounts should be opt-in or opt-out, what contribution rates would apply, and how large the savings cap should be.

Testing this idea would help us understand how it could support people who are more likely to face financial stress, and maintain KiwiSaver's focus as a retirement savings scheme.

Recommendation 8:

Develop a nationally consistent decumulation framework

As KiwiSaver balances grow, more people will need to make decisions about how to use their savings in retirement. This phase (known as decumulation) is often complex and unfamiliar. Many retirees are unsure how much to withdraw, how long their savings will last, or how to manage financial risks like inflation and longevity.

A nationally consistent decumulation framework would help people make better decisions by offering clear, practical options. These could include simple rules of thumb, such as withdrawing a fixed percentage each year or adjusting withdrawals based on life expectancy. The framework could build on existing tools like the Sorted Retirement Navigator and be expanded across the KiwiSaver system. Developing this framework would also support providers and advisers by giving them a shared approach to help members. It would improve retirement planning and help ensure savings are used in ways that support long-term wellbeing.

Improving system stewardship and decision-making

To support long-term stewardship, this review proposes recommendations focusing both on political consensus and institutional coordination. These reflect lessons from New Zealand's own history and international experience, and are designed to ensure that retirement income policies remain fair, sustainable and trusted.

Actions to improve system governance and decision-making

9. Put in place a new retirement income cross-party accord

Rationale: Taking a system-wide view helps avoid unintended consequences and supports joined-up planning across policy domains

Who benefits: All New Zealanders, especially future retirees, by ensuring the system remains stable and trusted

Discussion: Chapter 8

10. Establish a Parliamentary working group to set the strategic direction for a 10-year retirement income roadmap

Rationale: Retirement income policy requires long-term planning and broad political support. Establishing a Parliamentary working group will ensure reforms are coherent, inclusive, and durable

Who benefits: All New Zealanders, especially future retirees, by ensuring the system remains stable and trusted

Discussion: Chapter 8

11. Establish a pan-sector group, led by the Retirement Commission, to develop and implement the roadmap under the guidance of the Parliamentary group

Rationale: Improves coordination across the sector and supports long-term planning across NZ Super, KiwiSaver and private savings

Who benefits: All New Zealanders, especially future retirees, by ensuring the system remains stable and trusted

Discussion: Chapter 8

12. Ensure the 10-year retirement income roadmap addresses KiwiSaver, NZ Super and innovation in retirement planning

Rationale: A clear roadmap needs agreement not only on how it is developed, but also on what it should cover. This recommendation proposes that the roadmap include three core strands: strengthening KiwiSaver, reviewing NZ Super and related transfers, and supporting innovation in retirement planning tools and savings products. These areas reflect the main components of the retirement income system and the key challenges identified in the review

Who benefits: All New Zealanders, especially future retirees, by ensuring the roadmap is focused, inclusive, and aligned with long-term goals

Discussion: Chapters 3, 4, 6, 7 and 8

Recommendation 9:

Put in place a new retirement income cross-party accord

Retirement income policies require long-term planning and broad public support. Because they affect people over many decades, stability and consistency are essential. However, sustaining long-term policy decisions can be difficult without structured processes that support cross-party dialogue and shared direction.

International experience shows that reforms with broad political backing are more likely to endure and maintain public confidence. A renewed accord would provide a formal foundation for collaboration, helping to manage disagreement, reduce the risk of policy reversals and build long-term confidence in the system.

The Government should initiate a process to explore a renewed political accord on retirement income policy, supported by the Retirement Commission. The accord would:

- Reaffirm shared principles, including adequacy, fairness, sustainability, clarity and stability
- Establish a high-level commitment to long-term coordination and consistency
- Provide a reference point for future policy development and public engagement.

Recommendation 10:

Establish a Parliamentary working group to set the strategic direction for a 10-year retirement income roadmap

To give effect to the renewed accord proposed in Recommendation 9, we recommend establishing a cross-party Parliamentary working group. This group would lead the development of a long-term roadmap for retirement income policy and serve as the mechanism through which the accord is operationalised.

The working group would:

- Provide a formal structure for dialogue, coordination and decision-making across political parties
- Oversee the strategic direction of the roadmap and guide the work programme of officials
- Support public engagement and ensure reforms are coherent, inclusive and durable.

This approach draws on international examples such as Sweden's Pension Agreement and Finland's Parliamentary Committee for the Future, which demonstrate how structured, cross-party mechanisms can support enduring reform. It also responds to the long-term governance challenge by embedding retirement income policy within a stable, rule-based framework that balances political accountability with long-term planning.

Recommendation 11:

Establish a pan-sector group, led by the Retirement Commission, to develop and implement the roadmap under the guidance of the Parliamentary group

This review recommends institutionalising a cross-sector stewardship group to strengthen governance, improve coordination and ensure long-term resilience in retirement income policy. Currently fragmentation across government limits the ability to plan effectively.

The proposed model draws on existing examples in New Zealand, such as the Generic Tax Policy Process (GTPP), the social investment approach and the Infrastructure Commission's long-term planning framework, which emphasise shared goals, early engagement and continuous evaluation.

This stewardship model addresses the horizontal policy challenges identified in Chapter 8. It enables better use of data, more inclusive engagement, and a more resilient retirement income system that is trusted by the public and capable of adapting over time. It would do this by:

- Improving long-term planning and coordination. A shared work programme across agencies would reduce duplication, improve transparency and support more consistent decision-making. This would help ensure that retirement income policy is developed with a clear strategic direction and remains responsive to future challenges.
- Strengthening policy design and review. Structured processes for consultation, testing and evaluation would support evidence-based reform and help build public confidence. This would make it easier to adjust policies over time and ensure they reflect the needs of diverse groups.
- Supporting system-wide coherence. Better alignment across NZ Super, KiwiSaver and private savings would help avoid unintended consequences and ensure that different parts of the system work together. This would improve overall performance and make the system more resilient to demographic and economic change.

Recommendation 12:

Ensure the 10-year retirement income roadmap addresses KiwiSaver, NZ Super and innovation in retirement planning

To support long-term stewardship and address coordination challenges, this review recommends developing a 10-year roadmap that takes a system-wide view of retirement income policy. The roadmap would provide a structured approach to planning, testing and implementing reforms across NZ Super, KiwiSaver and private savings. It would be led by the Retirement Commission through the proposed multi-agency stewardship group and developed in partnership with industry and the public.

A 10-year timeframe is recommended because it provides a practical horizon for sequencing reform, building consensus and supporting public understanding. It does not mean delaying action for 10 years. Instead, it allows immediate steps to be taken, while also setting out a clear plan for future changes. Nor does it limit thinking to only the next decade. The roadmap should sit within a broader commitment to long-term stewardship, recognising that some challenges and opportunities will extend well beyond the next 10 years. This approach is consistent with planning practices in other areas, such as the Local Government Act 2002, which requires councils to prepare long-term plans covering at least 10 years, along with infrastructure strategies that cover at least 30 years.

Issues that the roadmap could address include:

- Reviewing KiwiSaver settings, such as contribution rates, compulsion, suspension rules and early withdrawals
- Exploring options for NZ Super and related transfers, including early access, income testing, asset thresholds and the age of eligibility
- Identifying and supporting scalable innovations in retirement savings and support tools, such as iwi-led schemes, flexible savings products, and drawdown products and tools.

No major decisions, such as changing the age of eligibility for NZ Super or making KiwiSaver compulsory, should be made until the roadmap is completed and publicly consulted. Taking this approach will help ensure that future reforms are coherent, evidence-based and supported by the public.

Conclusion

New Zealand's retirement income system has strong foundations; however, the environment in which this system operates is changing. Demographic pressures are intensifying and retirement outcomes are becoming more uneven. Addressing these shifts requires more than piecemeal thinking. It requires a system-wide approach that focuses not just on the level of spending, but also on the ability of retirement income policies to improve outcomes.

Retirement is changing...

Retirement is no longer a uniform phase beginning at age 65. It is a diverse and extended life stage shaped by income, health, caregiving responsibilities and housing tenure.

Although NZ Super provides a stable foundation, it is not always sufficient, particularly for renters, people without private savings and those with lower lifetime earnings.

KiwiSaver has become a vital complement, but its voluntary and workplace-based design means that some groups, including the self-employed, women with caregiving gaps, and Māori and Pacific Peoples, are not as well served as the general population.

These gaps reflect policies that do not fully account for the realities of modern work and family life. The effectiveness of policies depends on how well they target need, support participation and build resilience over time. One-size-fits-all approaches are no longer enough.

Lessons can be drawn from the social investment approach, which emphasises the importance of tailoring policies to individual circumstances and addressing complex needs through coordinated policy responses.

... including becoming more diverse

This review introduced a quadrant framework to help match policy responses to the diversity of retirement experiences. It distinguishes between individuals based on the complexity of their financial needs and their capacity to plan. This framework shaped the recommendations in the report.

For people with straightforward needs and high financial confidence, universal settings such as NZ Super and KiwiSaver are generally effective. For others, including renters, caregivers, Māori, Pacific Peoples and the self-employed, retirement needs are more complex and financial confidence may be lower.

The review's recommendations respond to these differences by proposing targeted KiwiSaver reforms, system improvements and innovations, and better governance. These actions are designed to improve adequacy, close savings gaps, and ensure the retirement income system remains fair, sustainable and trusted.

Looking ahead

New Zealand is in a relatively strong position; our retirement income system is cost-effective and simple, and has broad coverage. But this strength is not a reason to delay planning. It is an opportunity to make progress while we have choices available to us.

The longer we wait, the fewer options we will have. Demographic pressures will increase, disparities will widen, and the risk of needing reactive, short-term fixes will grow. Planning now allows us to shape the future deliberately, rather than respond under pressure. It gives time to test ideas, build support and introduce changes gradually.

Without a clear plan, we are more likely to see rushed reforms. These are harder for the public to prepare for and more likely to be reversed. That can make the system feel less stable and reduce trust – and once trust is lost, it is difficult to rebuild.

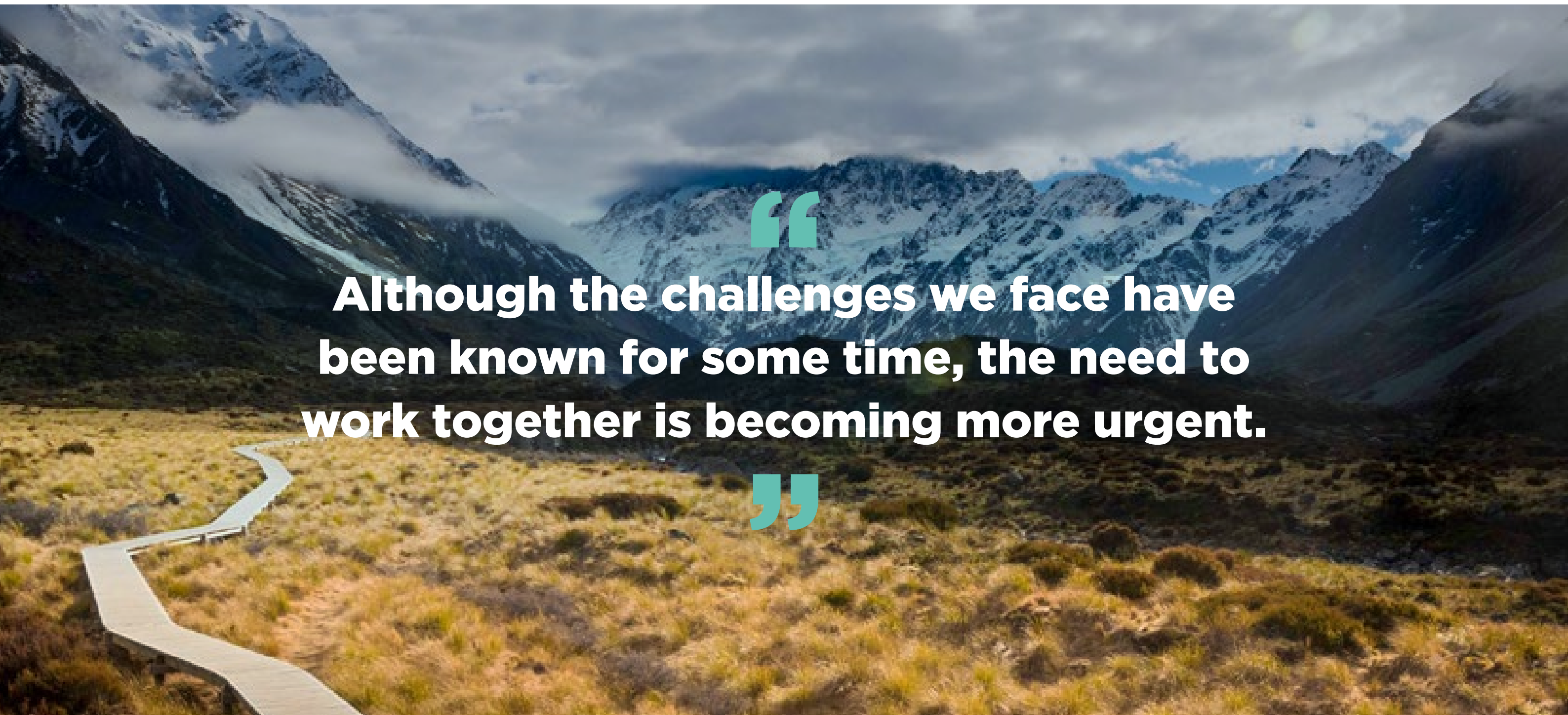
Building political consensus is not easy, but this is the time for it. Although the challenges we face have been known for some time, the need to work together is becoming more urgent. Other countries are reviewing their retirement income systems. New Zealand should do the same while we have the time and flexibility to make deliberate and considered choices.

A thought experiment

Imagine it is the year 2050, and we are looking back over the past 25 years. New Zealand's population has aged, our society has changed, and the decisions we made, or failed to make, in 2025 are still shaping lives.

From this future vantage point, one lesson stands out: it was critical to act early and with a long-term view. The most successful reforms were those that recognised diversity, supported fairness and built resilience. They were grounded in shared values and supported by stable governance. They did not rely on one-size-fits-all solutions but responded to the changing needs of older New Zealanders.

This review was never just about fixing today's problems. It was about preparing for tomorrow's challenges. With careful planning, New Zealand has the opportunity to shape a retirement income system that reflects our values and supports every New Zealander to age with dignity, security and hope. The question we must ask is: when we had the opportunity, did we take it?



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Annex 1: 2025 Review of Retirement Income Policies Terms of Reference

Issued by the Minister of Commerce and Consumers Affairs. Pursuant to section 83(c) of the New Zealand Superannuation and Retirement Income Act 2001, which requires the Retirement Commissioner to review retirement income policies every three years, I hereby request that the Retirement Commissioner undertakes a review of retirement income policies.

Context

For decades, New Zealand's retirement income policies have protected older New Zealanders from economic shocks and maintained standards of living in retirement; however, the environment for these policies is evolving. This reflects population ageing, the changing nature of work and caregiving, changing rates of home ownership, and insurance protection gaps.

This is reflected in pockets of need among older New Zealanders growing at the same time as pressure on government budgets is increasing.

Further, the KiwiSaver scheme has been in place for close to two decades, so it is now a good time to consider the scheme's settings and performance.

The purpose of this review is to identify practical policies and interventions that could maximise the ongoing performance of retirement income policies in New Zealand, given this evolving environment.

Scope

Having regard to the context above, the referring Minister requests that the Retirement Commissioner undertakes a review of retirement income policies. The Retirement Commissioner should include:

General

1. Commentary on the purpose of retirement income policies, the performance of these policies, and developments and emerging trends since the 2022 review.

2. How these trends could play out in New Zealand over the next 25 years, and their distributional and fiscal implications.

3. Evidence on retirement income policy innovation in other developed countries and lessons for New Zealand.

4. The diverse savings outcomes and experiences of women in retirement, given they are the majority population of over 65s and that there is a 25% gap on average in KiwiSaver balances between men and women.

KiwiSaver and other private savings

5. The performance of the KiwiSaver scheme, with a focus on default settings, opportunities to improve contribution rates, use of different KiwiSaver fund types, participation by the self-employed, and whether KiwiSaver has been effective in increasing the net national savings rate.

6. Government contributions to KiwiSaver, particularly the costs and benefits of government contributions, and which groups benefit most from receiving these contributions.

7. Whether any market distortions arise from the KiwiSaver model.

8. The role of (non-KiwiSaver) private savings in providing retirement income.

9. Opportunities for innovation and improvement of provider and industry guidance/products supporting the decumulation/drawdown of retirement savings and other assets.

Governance

10. Opportunities to enhance retirement income policy-making processes in New Zealand. This should include advice on the frequency and scope of the reviews of retirement income policy undertaken by the Retirement Commission, and how to ensure retirement policies encourage ongoing trust in the system.

Other requirements

In undertaking this review, the Retirement Commission should:

- Consult with key interest groups and affected parties
- Engage with relevant government departments
- Draw from international perspectives and experience.

Timeframe

A final report or reports must be submitted to the referring Minister by 31 December 2025. The Retirement Commission is also encouraged to produce any additional outputs that may facilitate public understand or enhance the impact of their work as they see fit.

Annex 2: How the terms of reference were addressed

The table below sets out how the review responds to the terms of reference. It shows how each chapter links to the key areas we were asked to examine.

Table 6: What we covered and where

Terms of reference item	Where addressed in report
1. Commentary on the purpose of retirement income policies, the performance of these policies, and developments and emerging trends since the 2022 review	Chapter 1: Introduction, Chapter 2: The system today, Chapter 3: How we got here, Chapter 4: What's changing?
2. How these trends could play out in New Zealand over the next 25 years and their distributional and fiscal implications	Chapter 4: What's changing?, Chapter 5: Global comparisons, Chapter 6: Who's missing out?
3. Evidence on retirement income policy innovation in other developed countries and lessons for New Zealand	Chapter 5: Global comparisons, Chapter 7: KiwiSaver and the market
4. The diverse savings outcomes and experiences of women in retirement, given they are the majority population of over 65s, and that there is a 25% gap on average in KiwiSaver balances between men and women	Chapter 6: Who's missing out?, Chapter 7: KiwiSaver and the market, Chapter 9: Recommendations
5. The performance of the KiwiSaver scheme, with a focus on default settings, opportunities to improve contribution rates, use of different KiwiSaver fund types, participation by the self-employed, and whether KiwiSaver has been effective in increasing the net national savings rate	Chapter 2: The system today, Chapter 6: Who's missing out?, Chapter 7: KiwiSaver and the market

Terms of reference item	Where addressed in report
6. Government contributions to KiwiSaver, particularly the costs and benefits of government contributions, and which groups benefit most from receiving these contributions	Chapter 2: The system today, Chapter 3: How we got here, Chapter 6: Who’s missing out?, Chapter 7: KiwiSaver and the market, Chapter 9: Recommendations
7. Whether any market distortions arise from the KiwiSaver model	Chapter 7: KiwiSaver and the market
8. The role of (non-KiwiSaver) private savings in providing retirement income	Chapter 2: The system today, Chapter 6: Who’s missing out?, Chapter 7: KiwiSaver and the market
9. Opportunities for innovation and improvement of provider and industry guidance/products supporting the decumulation/drawdown of retirement savings and other assets	Chapter 5: Global comparisons, Chapter 7: KiwiSaver and the market
10. Opportunities to enhance retirement income policy-making processes in New Zealand. This should include advice on the frequency and scope of the reviews of retirement income policies undertaken by the Retirement Commission, and how to ensure retirement policies encourage ongoing trust in the system	Chapter 8: Safe policy change, Chapter 9: Recommendations

Annex 3: Supporting material

This annex outlines the background material produced for the review.

Strategic perspectives on retirement income policies

This material offers a range of strategic insights, both forward-looking and comparative, that inform the long-term design and evolution of retirement income policies in Aotearoa New Zealand.

- Katz, A. (2024). *Lessons from across the Tasman: Comparing the Australian and New Zealand retirement income systems*. NZIER.
- Katz, A. (2025). *Aotearoa New Zealand in 2050: Preparing our retirement income policy for the future*. NZIER.
- Ministry of Business, Innovation and Employment. (2025). *Changes to KiwiSaver Policy since 2022: Background paper prepared by the Ministry of Business, Innovation and Employment for the Retirement Commissioner's 2025 Review of Retirement Income Policy*. Ministry of Business, Innovation and Employment.
- Ministry of Social Development. (2025). *Description of New Zealand's Current Retirement Income Policies: Background paper prepared by the Ministry of Social Development for the Retirement Commissioner's 2025 Review of Retirement Income Policy*. Ministry of Social Development.
- Nolan & Reyers (eds) (2025). *Policy Quarterly*, Vol 21, Issue 3, containing nine articles on retirement income policy covering recent trends and the long-term outlook, the performance of KiwiSaver, iwi saving schemes, and approaches to income testing.
- Public submissions to the review (see page 110).

Voices and experiences of older people

These papers capture the lived realities, financial behaviours and sentiments of older New Zealanders, offering rich insights.

- Gamble, J. (2024). *Older People's Voices: Financial Sentiment*. TAAO.
- Gamble, J. (2025). *Older People's Voices: Income, Expenditure, and Decumulation*. TAAO.
- King, J. (2025). *Receipt of Tier Two and Tier Three Benefits by the 65-plus Population 2019–2023*. TAAO.

Strengthening retirement outcomes for underserved groups

These papers highlight practical ways to improve retirement savings and security for self-employed workers, women and Māori.

- Chen, E. & Baddley, S. (2025). *Improving women's retirement income*. Martin Jenkins.
- Hynds, A., Leonard, C. & Bidois, T. (2025). *Iwi managed investment/saving schemes*. Ihi Research
- Te Ara Ahunga Ora Retirement Commission & Hnry. (2025). *Improving the retirement savings of the self-employed*. TAAO & Hnry.

KiwiSaver and private savings

These papers focus on KiwiSaver design, contributions, fund types and how savings behaviour is shaped, especially in the light of the changes in Budget 2025.

- Ipsos (2025). *KiwiSaver total remuneration: Qualitative report*.
- Ipsos. (2025). *KiwiSaver employer contributions: Topline qualitative report*.
- King, B. (2025). *Default contributions in retirement plans*. TAAO.
- Reyers, M., Meehan, L. & Kirpatrick, L. (2025). *KiwiSaver employer contribution insights*. TAAO & AUT.
- Reyers, M. (2025). *KiwiSaver fund types*. TAAO.
- Reyers, M. & Mawson, K. (2025). *Analysis of KiwiSaver changes: Budget 2025*. TAAO.
- Reyers, M. & Mawson, K. (2025). *KiwiSaver government contribution distributional analysis*. TAAO.

Annex 4: Summary of public submissions

This summary outlines the key themes identified in public submissions received as part of the review.

Many submissions emphasised the **financial vulnerability of older people**, particularly those reliant solely on New Zealand Superannuation. The Anglican Diocese of Auckland Social Justice Group, Ashburton District Council, Mai Lighthouse, Business and Professional Women New Zealand, and the National Council of Women of New Zealand highlighted housing affordability concerns, especially for renters. Recommendations included expanding state housing and adjusting the cash asset test for the Accommodation Supplement to better support low-income seniors.

There was strong support for maintaining **NZ Super as a universal, non-means-tested entitlement**. Submissions from Basic Income New Zealand, Grey Power NZ Federation Inc., Kaspanz and John Trezise opposed raising the age of eligibility or introducing means testing. These groups argued that such changes would undermine the scheme's simplicity and effectiveness. Some suggested enhancing support for those solely dependent on NZ Super, including indexing the winter energy payment and exploring tax-free grant models. Gavin Maclean noted the need to consider the contributions made by superannuitants, not just costs.

Gender equity was another recurring theme. The National Council of Women of New Zealand, and Business and Professional Women New Zealand highlighted the gender pension gap and the financial challenges faced by older women. Their recommendations included targeted policy measures to reduce the gender pension gap and housing support for low-income older women. Stephanie Pow of Crayon Ltd highlighted the need for mechanisms for employers to make voluntary KiwiSaver contributions during periods of no income, such as during parental leave or long-term unpaid sick leave.

KiwiSaver featured prominently, with many submissions highlighting issues around **KiwiSaver hardship withdrawals**. Debtfix Foundation, FinCap, Murray Spackman and Mai Lighthouse called for better oversight and administration. Flynn Grace proposed creating separate accounts for emergencies and retirement, making KiwiSaver compulsory, and increasing contributions to strengthen retirement outcomes.

Dr Arun Muralidhar introduced an international example from Brazil, proposing a low-risk retirement income bond that New Zealand could consider adapting.

Several submitters stressed the **importance of financial literacy, retirement planning and policy stability**. Mercer and the Corporate Trustees Association suggested improving drawdown options, reinforcing KiwiSaver's retirement focus, and recognising the broader benefits of retirement income policies.

Annex 5: IDI disclaimer

This report contains output produced from the Integrated Data Infrastructure (IDI), managed by Stats NZ. The results are not official statistics. They have been created for research purposes from the IDI.

The opinions, findings, recommendations and conclusions expressed in this report are those of the authors, not Stats NZ.

Access to the data used in this study was provided by Stats NZ under conditions designed to give effect to the security and confidentiality provisions of the Data and Statistics Act 2022. The results presented in this study are the work of the author, not Stats NZ or individual data suppliers.

Careful consideration has been given to the privacy, security and confidentiality issues associated with using administrative and survey data in the IDI. Further detail can be found in the Privacy impact assessment for the IDI, available from the Stats NZ website.


Policy
Report
KiwiSaver
Employer Contribution Insights
TE ARA
AHUNGA ORA
Retirement Commission
NEW ZEALAND POLICY
RESEARCH INSTITUTE
TE KĀHUI RANGAHAU MANA TAURITE


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Receipt of
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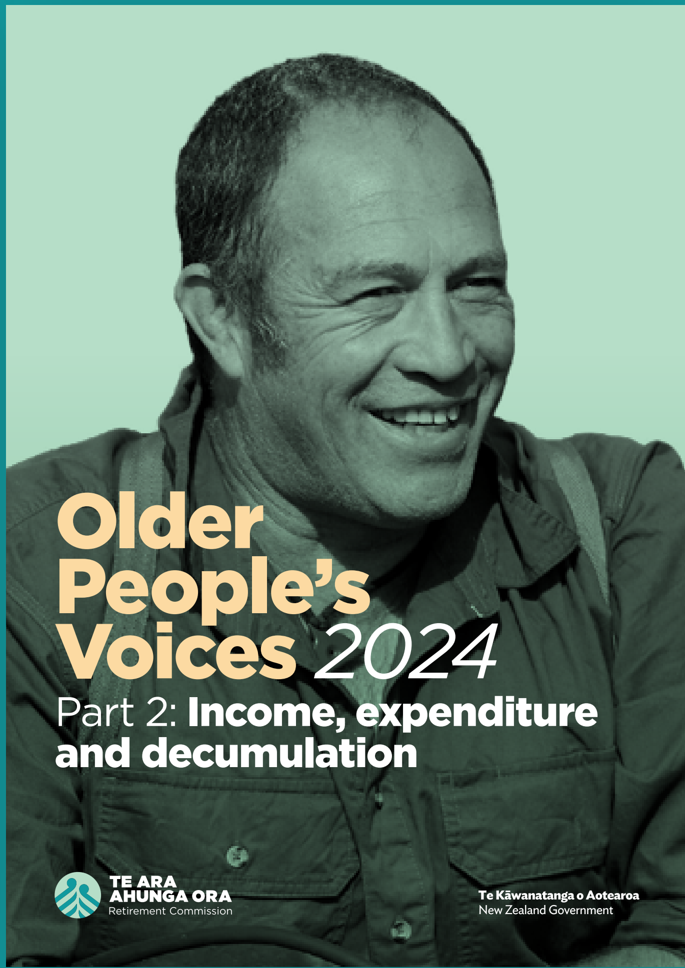
Policy
Note
Analysis of KiwiSaver changes:
Budget 2025
TE ARA
AHUNGA ORA
Retirement Commission


Older People's Voices 2024
Part 1: Financial sentiment
TE ARA AHUNGA ORA
Retirement Commission
Te Kāwanatanga o Aotearoa
New Zealand Government


Older People's Voices 2024
Part 2: Income, expenditure and decumulation
TE ARA AHUNGA ORA
Retirement Commission
Te Kāwanatanga o Aotearoa
New Zealand Government


Research Paper
Default contribution rates in retirement plans:
an international perspective
TE ARA AHUNGA ORA
Retirement Commission
Te Kāwanatanga o Aotearoa
New Zealand Government


Policy Report
KiwiSaver
Government Contribution Distributional Analysis
TE ARA AHUNGA ORA
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