Recommended Retirement Income Policy changes:

Kiwisaver

Make Kiwisaver compulsory. *Kiwisaver has a risk of driving inequality over a long time horizon, and leaving it as voluntary will only leave behind the financially incapable. Paternalism is needed when there is only one right choice (designed to be so by Government incentives).*

Employer contribution matching increased and changed to:

1. First 4% full matching with employee contribution
2. 4-6% employee contribution half matched by employer
3. 6-10% employee contribution quarter matched by employer
    a. Therefore employer contribution matching maxes at 6%
4. Employer matching contributions are mandatory for all employees in Kiwisaver regardless of age.
    a. Employees over 65 years old may opt to have their employer contributions paid directly into their bank account rather than Kiwisaver

Employee contribution options all full percentages between 1-10%. Allow for auto increases of 1% per year as an option (small steps) and with soft compulsion. Consider leaving small steps on permanently, requiring members to readjust down to 1% every year if they want to maintain minimum contributions.

Minimum compulsory contribution down to 1% and autoenrollment up to 4% (with small steps).

Early Retirement Sidecar

Employer contribution top up for employees in worker roles that have health costs which increase the likelihood of needing an early retirement at an additional 1-4%. Worker roles that qualify and appropriate rates to be determined in conjunction with ACC information as wel as input from MSD and Te Whatu Ora. This amount only is available for withdrawal at 60 years old and would therefore be in a 'Early Retirement' sidecar.

Government Contributions

Remove Government matching entirely.

Introduce Government contributions with a focus on redistribution to counter the regressive effects of Kiwisaver:

- Government acts in the place of employer contributions with beneficiaries, with 6% of benefit additional contribution and not needing a match.

Reintroduce a $4,000 kickstart Government contribution and make progress towards enrolling eligible people before their first employment/benefit.

Kiwisaver Emergency Sidecar

Voluntary separate account with separate contributions from employee or as separate payments. Employee can nominate 1% contribution rate (no matching) and are auto enrolled too.

Maximum fund value of $12,000. After maximum is reached surplus contributions spill over to main Kiwisaver unless opted out.

Little or no barriers or restrictions to access the Emergency Sidecar. Consider giving the Government (local and/or central) an automatic release lever (at nominal rates or amounts) or Kiwisaver sidecars held by qualifying people, like for geographical areas declared in states of emergency or during national crises like pandemics.

Tax Deferred Retirement Accounts (TDRA)

Introduce a voluntary E-E-T tax deferral account that is joined alongside Kiwisaver accounts by the same providers, restrictions and infrastructure (available to all ages).

The TDRA can only be withdrawn after turning 65 years old, not for the other Kiwisaver withdrawal conditions.

Payments into a TDRA incurs a tax credit for that year and is processed with tax returns. Payments are with after tax dollars but a facility for employee contributions in addition to the compulsory Kiwisaver contributions is made available with options being a nominated dollar value per pay period instead of a percentage of income.

Nominal initial yearly limit of $1,000 of tax deferral per year. Contributions can be made into other people's TDRA but the tax credit is applicable to the owner of the TDRA.

Increase in the yearly limit towards $8,000 over coming decades when fiscally responsible to do so. Input from the Reserve Bank of New Zealand and Treasury for the timing of this limit increase would be useful.

This account only defers tax. The deferred payment still incurs Kiwisaver, ACC levies, Student Loan payments, Child Support deductions and is included in other income assessments.

NZ Super

Change age of eligibility to 67 progressively, starting in the year 2050 at one month more per year therefore finishing in 2074.

Accommodation Supplement

Increase cash asset test to $42,700.

This will all increase the complexity of our Retirement Income Policies substantially. We should embrace and celebrate complexity! Simple solutions are not sufficient.

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