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Submitted via: [submissions@retirement.govt.nz](mailto:submissions@retirement.govt.nz)

Te Ara Ahunga Ora  
Wellington

## **Re: Review of Retirement Income Policies 2025**

The driving issues behind challenges to financial wellbeing should be addressed to ensure all whānau can save towards what is essential for health, wellbeing and social participation in retirement.

*“KiwiSaver hardship has gone absolutely through the roof. We’re getting at least one to two inquiries every week and then physically working with clients constantly trying to get KiwiSaver hardship apps through. I’m always exploring other ways other than that, but there’s no option often.” (A financial mentor in a regional centre)<sup>1</sup>*

FinCap welcomes the opportunity to comment on the Te Ara Ahunga Ora Review of Retirement Income Policies 2025. A soon to be released FinCap *Voices* update will share that one in eight people seeing a financial mentor in our sample applied an early withdrawal of KiwiSaver funding on the grounds of significant hardship. The purpose of this submission is to raise insights from financial mentors that relate to KiwiSaver as a source of retirement income.

Financial mentor practice includes exploring all available options to resolve an issue with money, so it is good that their support is being sought. However, it is concerning that so many whānau seeing financial mentors, or otherwise<sup>2</sup> are forsaking retirement income to resolve current challenges to financial wellbeing. The process to do so is, rightly, deliberately difficult but people are ‘passing the test.’ The deliberately difficult process also generates further strain on demand for financial mentoring in the context of current funding constraints.

Financial mentors have also fed back to FinCap about:

- Issues around funds from withdrawals for hardship not being spent as was expected, meaning financial hardship continues.
- Issues with whānau opting to withdraw KiwiSaver rather than pursuing remedies to address the financial consequences of likely breaches of consumer protections.
- Issues with whānau opting to withdraw KiwiSaver rather than proceed with an insolvency procedure that could lead to better financial outcomes in the long term. This is potentially caused by issues of stigma or financial exclusion that could arise with decreasingly utilised insolvency procedures.<sup>3</sup>
- Many whānau on income support having insufficient income to contribute to KiwiSaver.
- Potential opportunities for whānau on income support to be better incentivised to contribute to KiwiSaver where this is truly affordable.
- Despite concerns, KiwiSaver hardship withdrawals having merit because they are the only way to access funds towards resolving a hardship issue in some situations.

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<sup>1</sup> Quote from upcoming FinCap *Voices* report

<sup>2</sup> <https://www.ird.govt.nz/about-us/tax-statistics/kiwisaver/datasets>

<sup>3</sup> <https://www.insolvency.govt.nz/about/statistics>

- Issues with providers rejecting applications with more detailed financial mentor budgets and instead forcing a reworking to their own budget format. This duplication that carries a cost to financial mentors shouldn't be necessary.
- Concerns around KiwiSaver hardship providers moving work and cost to not for profit financial mentors and our funders rather than resourcing support for their members who are experiencing hardship.
- Concerns that underfunding of the financial mentoring sector means that some whānau may not have timely access to support from a financial mentor to consider other options when exploring a hardship withdrawal.

**FinCap recommends:**

1. Te Ara Ahunga Ora continue to support FinCap's work towards adequate and sustainable funding for financial mentoring.
2. Te Ara Ahunga Ora support FinCap's work towards addressing systemic issues or compliance issues that challenge financial wellbeing for whānau and could cause a KiwiSaver hardship withdrawal.
3. Te Ara Ahunga Ora specifically review how KiwiSaver hardship withdrawals could be avoided as much as possible and how the processes could be streamlined to reduce strain on financial mentors.
4. Te Ara Ahunga Ora consider how issues of stigma or financial exclusion related to insolvency procedures might be addressed.
5. Te Ara Ahunga Ora specifically review and recommend solutions to any issues relating to the direct to member, and wider costs, of the high level of KiwiSaver hardship withdrawals.

**About FinCap**

FinCap (the National Building Financial Capability Charitable Trust) is a registered charity and the umbrella organisation supporting the 177 local, free financial mentoring services across Aotearoa. These services supported almost 62,000 whānau facing financial hardship in 2024. We lead the sector in the training and development of financial mentors, the collection and analysis of client data and encourage collaboration between services. We advocate on issues affecting whānau to influence system-level change to reduce the causes of financial hardship.

Please contact Senior Policy Advisor [REDACTED] on [REDACTED] to discuss any aspect of this submission further.

Ngā mihi,

[REDACTED]

Fleur Howard  
Chief Executive  
FinCap