

Submission to the Review of Retirement Income Policy

Reserve Bank of New Zealand
May 2013

The Reserve Bank welcomes the opportunity to make this brief submission within the terms of reference for the Commission for Financial Literacy and Retirement Income's review of retirement income policy.

The Reserve Bank supports the need to raise private saving and reduce private debt levels in New Zealand. Higher private sector saving and lower debt would reduce New Zealand's vulnerability to adverse economic shocks. This would also be expected to reduce the costs of capital in New Zealand, thereby helping to support higher levels of investment and consequently improve our long run growth prospects.

Since the 2010 review of retirement income policy, there have been some significant developments in the retirement income landscape in New Zealand, including a pick-up in private saving and fall-off in public saving post-financial crisis, the continued growth in Kiwisaver membership and falling home ownership rates, as well as several finance company failures and finance sector regulatory changes.

The background papers to the review draw attention to some recent developments in retirement income provision, the financial sector and regulatory policy. These papers also touch on topics not explicitly listed in the review's terms of reference. Several of these topics were also covered in the Savings Working Group report of 2011. The Reserve Bank encourages the Commission to consider these issues in its review. These include:

- The adequacy not only of New Zealanders' retirement saving, but also of wealth accumulation;
- The impact of population aging and migration on retirement provision;
- The relationship between the tax treatment of interest and saving decisions;
- The role of Government in supporting the provision of other investment vehicles, including the development of an annuities market or the issuance of inflation-indexed bonds;
- The need to improve statistical information on household saving and wealth;
- Developing the quality of disclosure on financial products, their fees and performance and enhancing financial knowledge and capability.

We look forward to seeing the Commission's review when it is released.