
2016 REVIEW OF RETIREMENT INCOME POLICIES

KiwiSaver – what would you do?

Two and a half million of us have joined KiwiSaver since it began, but not everyone is getting the most out of it.

The Commission for Financial Capability has been asking why and what can be done about it, as part of a review of retirement income policies.

We've spoken to KiwiSaver providers, government agencies and conducted research involving more than 2,000 New Zealanders, now we want to hear from you.

Internationally, KiwiSaver is recognised as a leading workplace-based savings scheme. We know that changes to the way it works are off-putting, but a few tweaks could make it even better.

We've developed a shortlist of ideas: have a look and let us know whether you think all or any of them could help you, or people you know, join and build your savings and assets for when you retire. Your views and comments will help us develop recommendations for the government.

CONTRIBUTION RATES

1. Would you like more flexibility in contribution rates?

We know it's important to keep KiwiSaver simple to understand and operate, but could more options better help you manage how much you save at different times of life?

Currently the fixed contribution rates are 3%, 4% and 8%.

Would you like the flexibility to choose other rates as well, such as 5%, 6%, 7%, 9% and 10%?

We don't propose changing the employer contribution rate of 3%, although employers can choose to contribute more if they want.

YES / NO / Comments

2. Should there be an option to automatically increase contribution rates by 0.5% or 1% annually?

A tick box, so that your contribution rate increases automatically every year, could help you to save more over time.

This option would let you choose to cap the maximum rate you wanted to reach. For example, you could start at 3% and increase by 1% per year over five years until you reach 8%.

YES / NO / Comments

3. Should you be able to reduce your contribution rate to 1% or 2% for a limited time if you are struggling to afford 3%?

It can be hard at times to save 3% of your wages or salary. But if you don't make regular contributions you miss out on money added by your employer and member tax credits of up to \$521 a year from the government (unless you make a lump sum contribution).

Could a lower contribution rate of 1% or 2% for a limited period help you start or continue saving small amounts to build a first home deposit or retirement nest egg over time?

Example: if you earn \$30,000 a year, a 2% contribution would be \$12 a week.

YES / NO / Comments

ANNUAL FEES

4. Should KiwiSaver providers show the total dollar amount you paid in fees, on your annual statement?

Fees are a really important factor in how much you save long term. Understanding how much you are actually paying in KiwiSaver management fees can be unclear and make comparison with other providers difficult.

Would it be useful if your annual statement showed exactly how much your fees cost, in dollars, over the year?

YES / NO / Comments

CONTRIBUTIONS 'HOLIDAY'

5. Should the maximum contributions holiday period be reduced from 5 years to 1 year?

Last year, out of all the KiwiSaver members who had opted for a contributions holiday, 83% were on a five-year break. While some people may need an extended break in saving, a five-year suspension could be too long. Could a one-year maximum holiday period, with the ability to renew it one year at a time, help you start or resume regular savings sooner?

YES / NO / Comments

MEMBERSHIP

6. Should people over 65 be able to join?

At present only those under 65 can join KiwiSaver. This is because the policy was linked to the age of eligibility for New Zealand Superannuation.

Many people over 65 are still working: they may have sold businesses and now got a new full or part-time job, or just never got around to joining KiwiSaver.

Whether employers make a 3% contribution is their decision as they are only required to do so until employees are 65. In asking this question we are not suggesting that KiwiSaver members over 65 receive member tax credits, as they are eligible for New Zealand Superannuation.

YES / NO / Comments

ONE-OFF AUTO-ENROLMENT

7. Should there be a one-off enrolment day to automatically sign-up people who aren't KiwiSaver members?

The idea behind this is to sign up people who have put off the decision or not considered joining KiwiSaver. A one-off automatic enrolment day could help start regular retirement savings for many people who haven't got around to it.

You would still be able to opt out if you don't want to be a member.

There could be significant administration costs, an annoyance factor for those who have already opted out, and the number of people who haven't made a decision is reducing each year.

YES / NO / Comments

MULTIPLE SCHEME MEMBERSHIP

8. Should you be able to be a member of more than one KiwiSaver scheme?

A strong feature of KiwiSaver is its relative simplicity, so allowing people to join more than one scheme could make it more complex. Members would also have to pay more management fees. In Australia, where people can have multiple accounts, experience shows a large number are lost when people change jobs.

It could be argued that belonging to more than one provider allows you to diversify your investment by choosing different funds.

Currently, many KiwiSaver providers already allow members to split savings across different funds which can, for example, spread risk levels between balanced and growth funds.

YES / NO / Comments