SHAPING FUTURES

CLOSING THE KIWISAVER GAP

Financial Services Council.
Growing and protecting the wealth of New Zealanders

Powered by
Horizon Research
LISTENING TO NEW ZEALAND

In partnership with
Trustees Executors

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Members include the major insurers in life, disability and income insurance, fund managers, KiwiSaver, professional services and technology providers to the financial services sector.

fsc.org.nz

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FOREWORD
FINANCIAL SERVICES COUNCIL

A very real concern for New Zealanders is whether they will be able to afford a comfortable retirement.

KiwiSaver celebrated its tenth birthday last year, and take-up has been significant since its launch, with nearly three million New Zealand members investing close to NZ$50 billion. Saving is key to a financially comfortable retirement, and the scheme has been a huge success in providing a way for around three-quarters of 18-64 year-olds in New Zealand to start to do so.

To better understand how KiwiSaver is working for New Zealanders, the Financial Services Council (FSC) has been researching what it is like, and what it could be like, for New Zealanders when they retire: what wealth they have and how they could build it to live comfortably in retirement.

The three-part research* has already informed changes in both industry and government policy, supporting the latest proposed amendments to KiwiSaver law in July 2018.

But this research highlights that there is still a considerable way to go with opportunities for government, the financial services industry and consumers to work together and make KiwiSaver fit-for-purpose for us all.

This summary details the key outcomes and actions we can take together to make sure New Zealanders enjoy a well-funded and worry-free retirement.

Rob Flannagan
Chairman
Financial Services Council

Richard Klipin
Chief Executive Officer
Financial Services Council

* NZIER research May 2017
Growing the KiwiSaver Pie, Great Expectations and Generation KiwiSaver
Available at fsc.org.nz

FOREWORD
TRUSTEES EXECUTORS

Trustees Executors

KiwiSaver forms an important part of a New Zealander's investment strategy and Trustees Executors is proud to partner with the Financial Services Council (FSC) on this important piece of research that provides invaluable insight into how different generations view the scheme.

As trusted advisers, we have been helping New Zealanders and their families secure their financial futures for over 135 years and we are always looking for ways to help our clients shape their future, whether through KiwiSaver or other complementary investment strategies.

Any changes that help the wider financial services industry and government improve savings schemes, through research such as this, means that the needs of all New Zealanders will be better provided for in the future.

And, as demonstrated by the four key recommendations from the research, we all have a part to play in that process.

Ryan Bessemer
Chief Executive Officer
Trustees Executors

SUMMARY OF RECOMMENDATIONS

CLOSING THE KIWISAVER GAP: ACTION NEEDED BY ALL

The research has highlighted key areas that Government, industry and consumers all have a part to play in helping New Zealanders shape their future.

The following four key recommendations summarise the research and highlight how we can all work together to improve the KiwiSaver scheme and work towards ensuring a well-funded and worry-free future.

RECOMMENDATION #1: CONTRIBUTIONS
The research demonstrates that radical changes to enable flexible, controlled and automatic increases in contributions should be introduced.

RECOMMENDATION #2: TAKING CONTROL
The research demonstrates the need for consumers to shape their own futures and Government to mandate help and guidance for New Zealanders to ensure better savings outcomes. Political parties should be working together to enable a forward-thinking superannuation strategy and ensure that the most vulnerable in our society are protected.

RECOMMENDATION #3: GETTING THE MOST OUT OF KIWISAVER
The research demonstrates the need for the Government to review the rules on default fund allocation, incentives (including multiple retirement ages) and centralise hardship evaluations.

RECOMMENDATION #4: ADVICE
The research demonstrates the need for clearer information, easier switching decisions and integration of new technology to improve proactive and transparent advice.

CONTRIBUTIONS
TAKING CONTROL
GETTING THE MOST OUT OF KIWISAVER
ADVICE

A BRIEF HISTORY OF KIWISAVER AND KEY RESEARCH FINDINGS

A BRIEF HISTORY

How KiwiSaver has developed in its first decade

The KiwiSaver scheme is New Zealand's voluntary long-term savings scheme where people can choose to contribute 3%, 4% or 8% of their gross pay and employers contribute at least 3%. KiwiSaver members can access the savings on retirement, to purchase their first home or in case of financial difficulty.

The uptake of KiwiSaver far exceeded initial projections from when it started in 2007.*

KIWISAVER MEMBERSHIP

KIWISAVER

KiwiSaver has changed since it started in 2007. The Member Tax Credit was reduced from NZ$1,042.86 to NZ$523.41 in 2011 and in May 2015, the NZ$1,000 kickstart for new KiwiSavers was removed.

In July this year, the Government proposed additional changes to address some of industry, the Commission for Financial Capability (CFFC) and consumer concerns. These included opening KiwiSaver up to the over 65s, adding a 6% and 10% employee contribution rate and restricting the newly termed 'Savings Suspension' (Contribution Holiday) from five years to one.

KiwiSaver is having a positive impact domestically, with around 60% of managed funds invested in New Zealand. The new investment driven by KiwiSaver means businesses have the potential to both raise exports, employment and have a greater positive effect on GDP*.

The CFFC, industry and Government have gone some way to improve consumers' ability to save enough for retirement through KiwiSaver, understand the benefits through financial education and ensure transparency, but these research findings demonstrate there is still a long way to go to help and support New Zealanders shape their own futures.

* https://www.rbnz.govt.nz/financial-stability/financial-stability-report/fsr2014-11/the-role-of-capital-markets-in-the-new-zealand-financial-system

A BRIEF HISTORY

1 JULY 2007

KiwiSaver launched
Initial Employer Contribution Rates (no tax on employer contributions)

1 APRIL 2008

Planned **1%** employee contributions at launch

1 APRIL 2009

Default contribution rate moved from **4%** to a capped rate of **2%** for members
Government fee subsidy of **$40** per annum removed

Employer tax credit discontinued for employers (originally paid by Govt to employers to offset costs of compulsory employer contributions)

Planned **2%** employee contributions at launch

1 APRIL 2010

Planned **3%** employee contributions at launch

1 APRIL 2011

Member contribution rates were set at **4%** by default. Member could choose a lower rate of **2%**

Member tax credit reduced from **$1,042** per annum to **$521**

Planned **4%** employee contributions at launch

1 APRIL 2013

Member and employer contributions increased from **2%** to **3%**

Employer Superannuation Contribution Tax introduced for employer contributions

21 MAY 2015

21 May 2015 (effective date)
$1,000 kick start removed

JULY 2018

Proposals to open up KiwiSaver to over 65s, adding **6%** and **10%** employee contribution bands and one year savings holiday

KEY FINDINGS

The fears of younger generations are a reality to retirees

The research shows that the fears of younger generations are a reality to those already in retirement. Part two of the research, Great Expectations showed New Zealanders 65 and over had very similar concerns to those that took part in Generation KiwiSaver (New Zealanders aged 18-34).

The reality is that KiwiSaver, in its current form, wouldn't have met the needs of many retirees now even if they had been able to contribute for longer, and, as the proportion of New Zealanders aged over 65 increases, it is more likely to be less effective in the future unless we all work together to learn and adapt.

Generation KiwiSaver think...	Great Expectations experience...
Average estimate means a weekly shortfall of NZ$205 in retirement	**An average gap of NZ$218 in post-retirement income to live comfortably**
Most are reliant on KiwiSaver as primary asset to fund homeownership and retirement	**Full reliance on KiwiSaver / superannuation pension income after 10 years of retirement**
Over half fear home-ownership is out of reach, and two thirds are scared of being unable to afford retirement	**The family home is the main asset and decumulation advice still needed, especially as they look to sell to fund a savings gap**
Need help to plan and build sufficient wealth and are open to different ways of receiving advice	**Almost half would have liked more financial advice**

KEY FINDINGS

The fears of younger generations are a reality to retirees

"The cost of living is just going up and up. To live comfortably when older I would need to be employed at a good rate working full-time for many years and giving up things while young to afford a suitable lifestyle when in retirement if I can afford to when old."
(18-24 years, Wanganui)

"I am concerned because I think it is unlikely I will have saved enough. I also think that the government will probably not be able to afford to provide NZ superannuation at the current rates."
(25-34 years, Auckland)

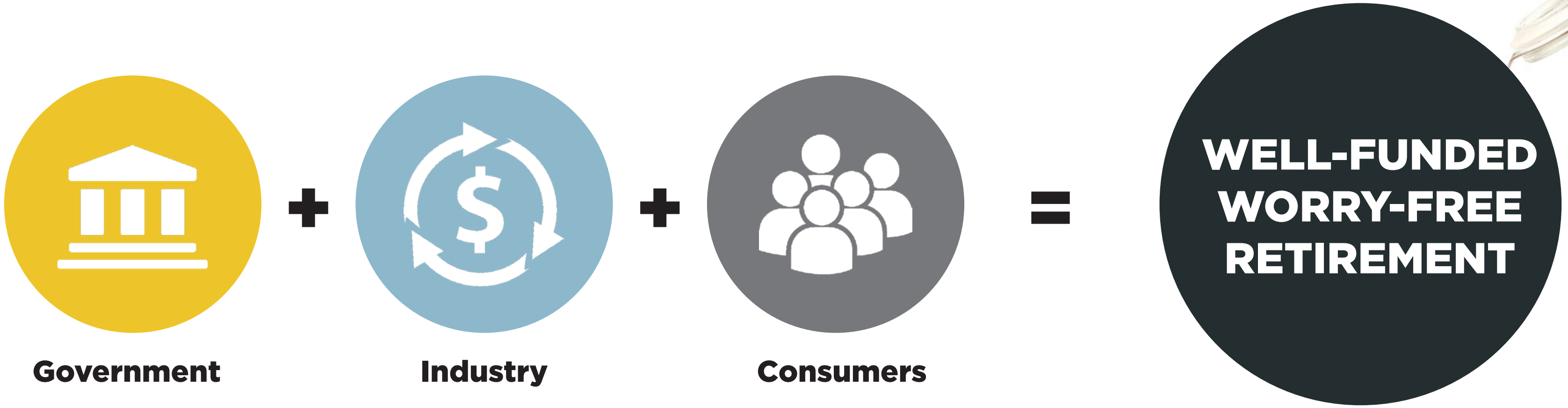
"I have not been retired long, two months, but it is a bit scary now that the till has stopped."
(71 years, Auckland)

"I am worried about my finances in retirement. I am trying to cut down my spending and have cut down, but not by enough. So I do fear the longer term future and whether what I have saved, will last long enough."
(65 years, Porirua)

CLOSING THE KIWISAVER GAP

Action needed by all

The research has highlighted key areas where Government, industry and consumers all have a part to play in helping New Zealanders shape their future.



The following four key recommendations summarise the research and highlight how we can all work together to improve the KiwiSaver scheme and work towards ensuring a well-funded and worry-free future.

CLOSING THE KIWISAVER GAP

RECOMMENDATION #1

CONTRIBUTIONS

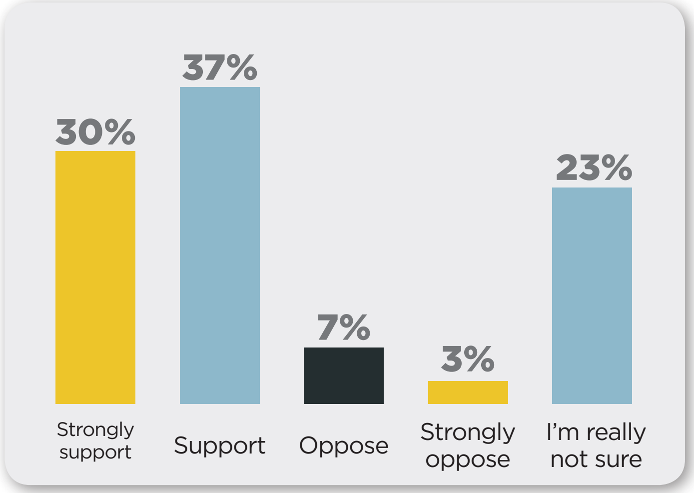
The research demonstrates that radical changes to enable flexible, controlled and automatic increases in contributions should be introduced.

A key finding of the research is the need to develop ways in which KiwiSavers can easily adjust contributions as their financial circumstances change. In the current scheme, KiwiSavers can voluntarily increase their own contributions in pre-set percentages, but few are saving enough, and this must be addressed.

The research showed that close to 70% of respondents would support increasing the base contribution from 3% to 4%.

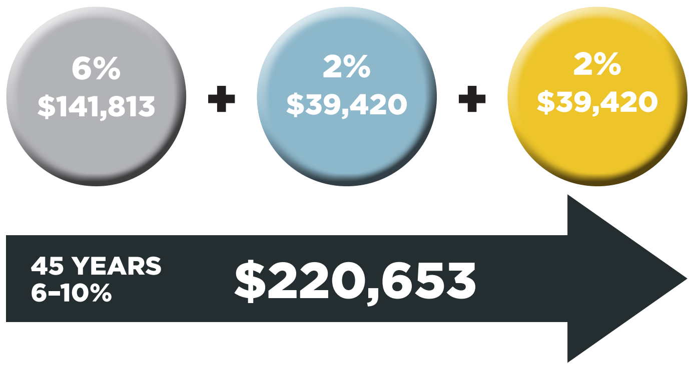
Increasing the base employer + employee contribution from 6% to 8%, as recently proposed by Government, could create a 28% increase in savings over a 45-year period. If a KiwiSaver chooses to increase their share further, resulting in a 10% contribution, this could result in a significant 56% increase in savings.

Would you support or oppose KiwiSaver contributions being gradually increased from 3% to 4%?



BENEFITS OF INCREASING PERCENTAGE CONTRIBUTION (BY EMPLOYEE AND/OR EMPLOYER)*

- Current combined contribution 6%: Savings **NZ$141,813**
- Increased combined contribution 8%: savings **NZ$181,233** an increase of NZ$39,420 or 28%
- Increased combined contribution 10%: savings **NZ$220,653** an increase of NZ$78,840 or 56%



***Based on 2017 median single salary of NZ$48,000 constant including MTC, contributing for 45 years. Fees, tax and interest not included. Prices in 2017 terms.**

CLOSING THE KIWISAVER GAP

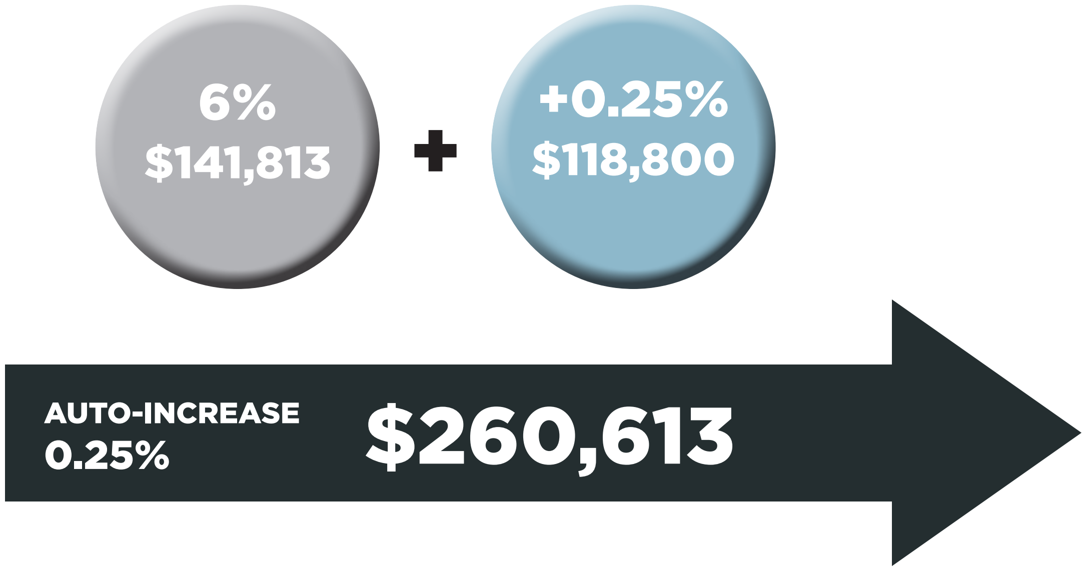
RECOMMENDATION #1

CONTRIBUTIONS

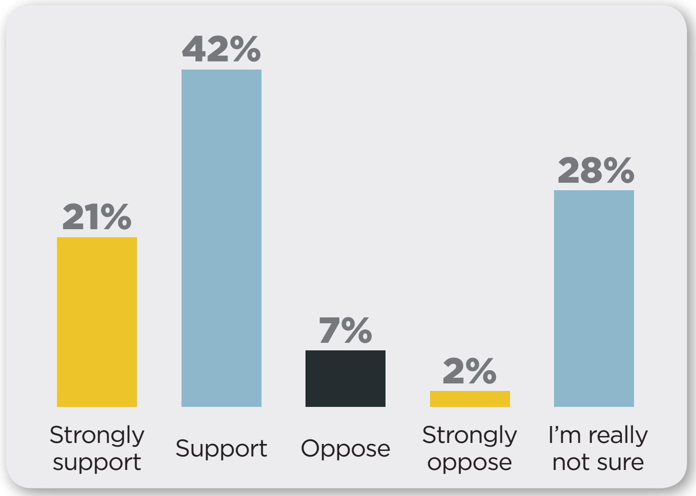
The research also showed that the majority of consumers would welcome an option to allow automatic increase in contributions.

BENEFITS OF AUTOMATIC INCREASE OF 0.25% OF ANNUAL SALARY PER YEAR (BY EMPLOYEE)

- Current combined contribution 6% fixed: savings **NZ$141,813**
- Automatic yearly increase combined contribution: savings **NZ$260,613** an increase of **NZ$118,800** or **84%**



Do you support or oppose an option to allow KiwiSaver members to set up an automatic increase in contributions over time?



*Based on 2017 median salary of NZ$48,000 constant including MTC, contributing for 45 years, starting at 6% contribution resulting in 17% contribution (employer contribution constant 3%), 0.25% yearly automatic increase. Fees, tax and interest not included. Prices in 2017 terms.

CLOSING THE KIWISAVER GAP

RECOMMENDATION #2

TAKING CONTROL

The research demonstrates the need for consumers to shape their own futures and Government to mandate help and guidance for New Zealanders to ensure better savings outcomes. Political parties should be working together to enable a forward-thinking superannuation strategy and ensure that the most vulnerable in our society are protected.

The second part of the research, Great Expectations, focussed on New Zealanders aged 65+. It showed that many were relying on selling their home to support them through retirement. The reality is that the equity released provided income for just over three years before having to rely on superannuation.

We all have a part to play to start contributions as soon as possible so that consumers have enough saved for a well-funded and worry-free retirement. By starting early, New Zealanders can use KiwiSaver to save towards their first home, and still have time to re-build their KiwiSaver pot for retirement.

For example, after **10 years** of saving at the base contribution rate of **6%**, a couple earning a New Zealand average salary of **NZ$48,000** each, could save close to **NZ$63,000**. Increasing contributions to **10%** over the same period would result in **56%** in additional savings, almost **$100,000** in total

CLOSING THE KIWISAVER GAP

RECOMMENDATION #2

TAKING CONTROL

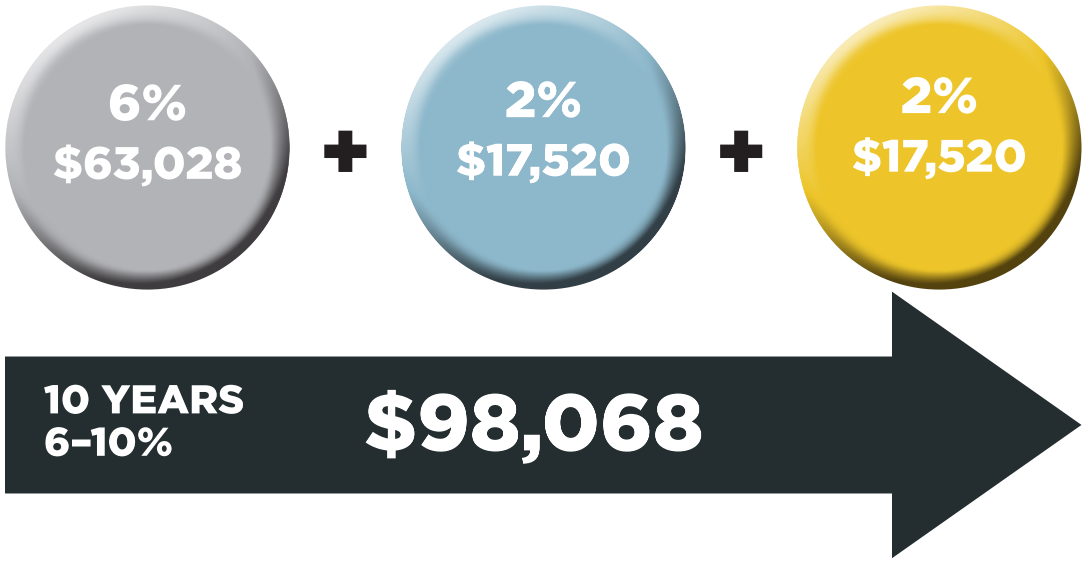
Reviewing KiwiSaver investments means that New Zealanders can track their progress and projections to meet their investment needs, whether over a shorter period for a house purchase or over the long-term for retirement, and make informed decisions on their investment needs.

The Government should be ensuring New Zealanders know their options through mandating financial help and guidance, and all political parties should join together to create a seamless and forward-thinking superannuation strategy, no matter the Government of the day.

There also needs to be a debate to enable additional changes to support the more vulnerable in our society, for example by matching $:$ up to the maximum Government contributions, enabling all New Zealanders' the opportunity to save for their future.

BENEFITS OF DEPOSIT AVAILABLE FOR FIRST TIME HOUSE PURCHASERS (COUPLE) BY INCREASING PERCENTAGE CONTRIBUTION (BY EMPLOYEE AND/OR EMPLOYER)

- Current combined contribution 6%: savings at 10 years **NZ$63,028**
- Increased combined contribution 8%: savings **NZ$80,548** an increase of **NZ$17,520** or **28%**
- Increased combined contribution 10%: savings **NZ$98,068** an increase of **NZ$35,040** or **56%**



*Based on 2017 median joint salary of NZ$96,000 constant including MTC, contributing for 10 years. Fees, tax and interest not included. Prices in 2017 terms.

CLOSING THE KIWISAVER GAP

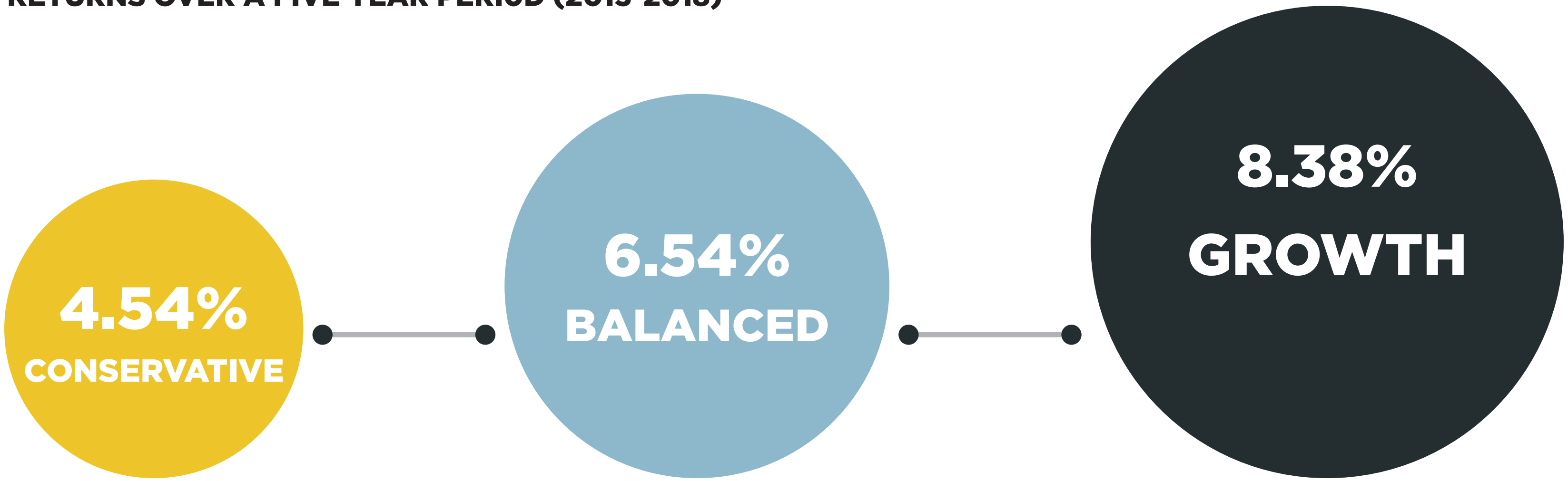
RECOMMENDATION #3

GETTING THE MOST OUT OF KIWISAVER

The research indicates the need for the Government to review the rules on default fund allocation, incentives (including multiple retirement ages) and centralise hardship evaluations.

Currently, when a consumer is allocated to a default KiwiSaver scheme, they are automatically added to a conservative fund, rather than a balanced or growth fund. This means they are likely to lose additional interest on their KiwiSaver investments. Over a five-year period, from 2013-2018, the extra earning potential almost doubles from conservative funds and growth funds.

AVERAGE RETURNS OVER A FIVE YEAR PERIOD (2013-2018)



Source: https://fundfinder.sorted.org.nz/funds/growth/returns/
Average returns before fees and after tax.

CLOSING THE KIWISAVER GAP

RECOMMENDATION #3

GETTING THE MOST OUT OF KIWISAVER

Consumers should be given the choice of the type of fund that best serves their needs on enrolment and throughout their investment, so they don't miss out on additional savings from potential interest earned.

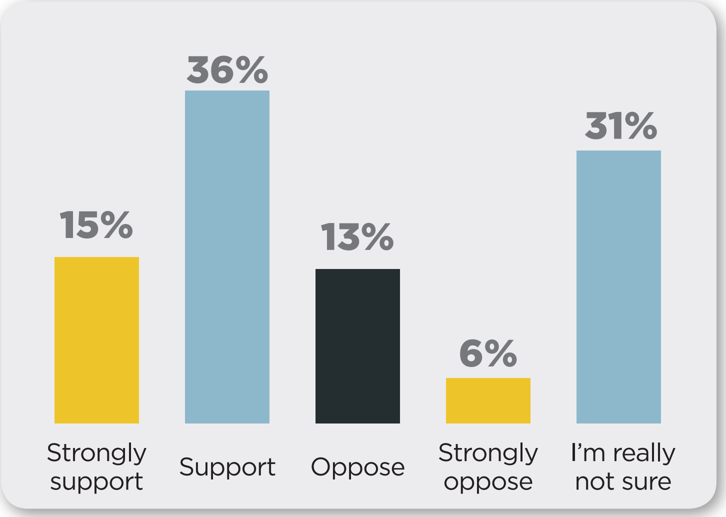
To further incentivise KiwiSavers, the Government are encouraged to consider further tax or other simple incentives to enable consumer saving and tapered decumulation.

The research showed that less than 20% of respondents would oppose making KiwiSaver funds available at a different age than superannuation.

The Government should therefore consider allowing multiple retirement ages and decoupling KiwiSaver from pension age.

Finally, creating centralised hardship evaluation for those requesting release of funds due to difficulty, rather than the current de-centralised model across all providers, would mean a fair and level playing field and ensure a consistent approach to supporting those in need.

Would you support or oppose making KiwiSaver funds available at a different age than NZ Super?



CLOSING THE KIWISAVER GAP

RECOMMENDATION #4

ADVICE

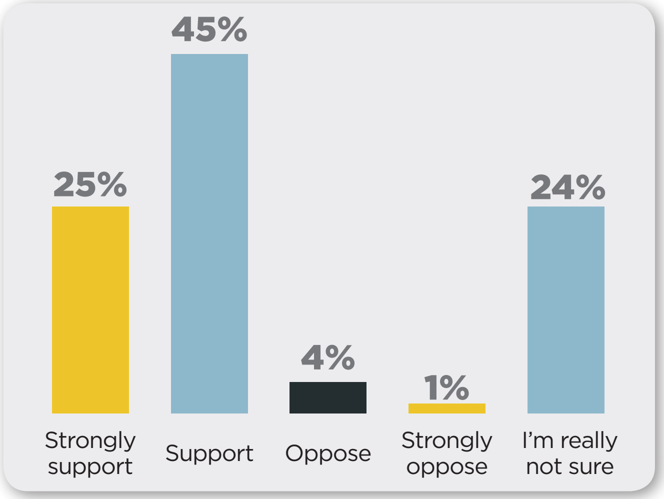
The research indicates the need for clearer information, easier switching decisions and integration of new technology to improve proactive and transparent advice.

Integrating 'robo' technology is changing the landscape of KiwiSaver provision. Providers are using advancing technology to integrate and automate their processes, including providing clearer information and investigating forecasting tools.

The process for changing providers, which may appear frictionless to an individual KiwiSaver, is a complex manual process 'behind the scenes' for the providers and Government administrators in the Inland Revenue. There is already work underway with Government to look at ways to simplify and automate the switching process.

As the technology embeds, the industry continues to work closely with Government and other key stakeholders to deliver jargon-free, supportive and appropriate tools and information to help New Zealanders make the right choice in their KiwiSaver investment.

Require KiwiSaver providers to give savers forecasts each year of how much their retirement balance could be once they turn 65



CASE STUDY

Haeata, KiwiSaver

Age: 20

Starting salary: $30,000

Saving for: $40,000 towards a first home

Initial KiwiSaver contribution: 6%

Salary after 10 years: $48,000

Contribution increases: 8% with Government changes in 2021 then increased personal contribution to total 10% after year five.

Yearly auto-increase from 2021: 0.25%

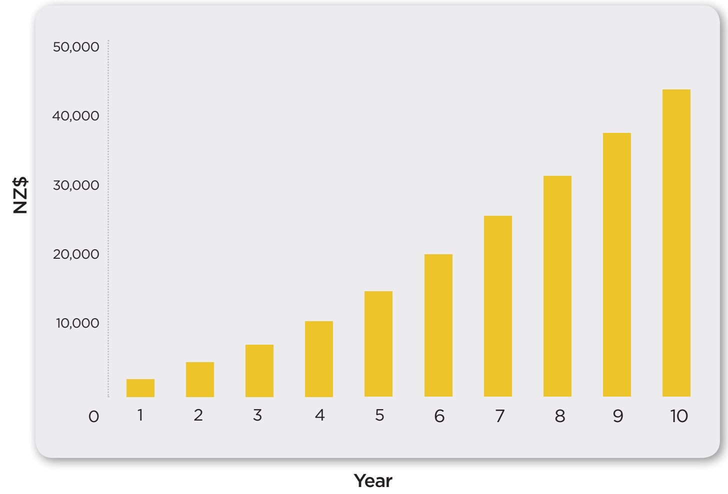
Total savings after 10 years: $42,000
>NZ$15,000 more than sticking to 6%

Melissa started work on a NZ$30,000 salary and decided to save towards her first home. After ten years has reached the NZ average wage of **$48,000**.

She was careful to check her savings progress and decided she could afford addition contributions to save the money she needed in KiwiSaver toward her new home.

The government introduced an **8%** joint employer/employee contribution and the option to auto-increase employee contributions each year by 0.25% in 2021, which Melissa took advantage of.

Savings over 10 year period



CASE STUDY

Jonathan, KiwiSaver

Age: 40

Starting salary: $80,000

Saving for: Retirement

Initial KiwiSaver contribution: 6%

Salary after 25 years: $144,000

Contribution increases: 8% with Government changes in 2021

Yearly auto-increase from 2021: 0.25%

Total savings after 25 years: $291,000
>NZ$136,000 more than sticking to 6%

***Both case studies Include MTC. Presumes 2021 raise to 4% employer/employee contributions, a new Government policy of automatic increases of 0.25% a year and allowing less conservative investments. Fees, tax and interest not included. Prices in 2017 terms.**

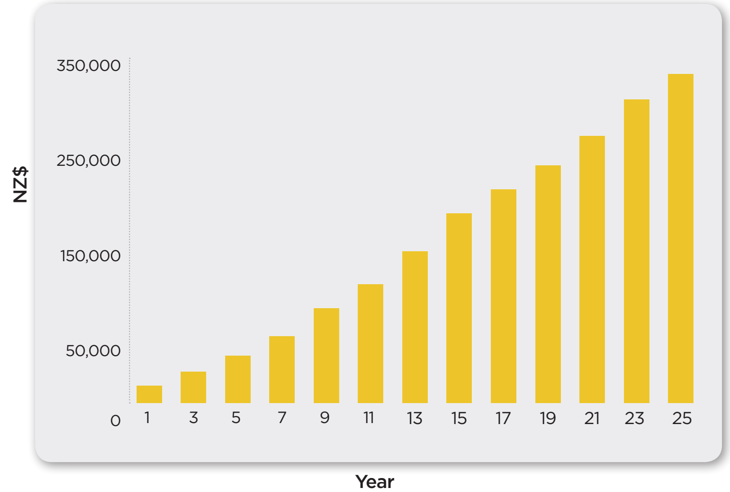
Jonathan just celebrated his 40th birthday. He is married with a family and has bought his first home, thanks to some savings and an inheritance.

Turning 40 has made Jon consider his family's future. He never joined KiwiSaver but spoke to an adviser and realised his employer pays in 3%.

The Government introduced an 8% joint employer/employee contribution and the option to auto-increase employee contributions each year by 0.25% in 2021, which, like Melissa Jonathan, took advantage of.

Jon intends to check out how the family savings are tracking every couple of years with his provider to make sure he is getting the best deal and work out how to increase future contributions.

Savings over 25 year period



SUMMARY OF
RESEARCH PAPERS 1–3

POWERED BY

HorizonResearch
LISTENING TO NEW ZEALAND

RESEARCH PAPER #1

GROWING THE KIWISAVER PIE

SEPTEMBER 2017

GROWING THE KIWISAVER PIE

A sustainable income policy is critical for New Zealand. As the voice of the financial services industry, and recognising that it has now been **ten years since KiwiSaver was launched**, the FSC commissioned this research to find out what New Zealanders want from Government and the industry.

This was the first of three commissioned pieces of research seeking to understand Kiwis' attitudes to retirement savings.

With over 2.74m New Zealanders now signed up and more than $47bn under management in KiwiSaver funds (as of March 2018), it is more important than ever to understand what people want so that we can set ourselves up for long term success. The research provided an opportunity to understand how New Zealanders want KiwiSaver to evolve. It's now up to industry and Government to take the findings on board and work to improve KiwiSaver.

THE RESEARCH

In 2016, the Commission For Financial Capability (CFFC), a Government agency, consulted thousands of New Zealanders and recommended policies to the Government to help improve savings and retirement incomes.

On June 1, 2017, the Minister of Commerce and Consumer affairs, Hon Jacqui Dean, responded to the commissioner's recommendations.*

This study, involving a nationwide survey of 2,199 New Zealand adults finds solid support for CFFC-proposed policies the Government has said it agrees with – and also some it has not yet supported.

GROWING THE KIWISAVER PIE

KEY FINDINGS

The three key areas the research uncovered are:

1. There is overwhelming public support for strengthening KiwiSaver and improving Kiwis' access to the savings scheme. New Zealanders across the board want KiwiSaver to be beefed up including more options for how they contribute to and access their KiwiSaver schemes.

2. 67% of those surveyed supported increasing both employer and employee contributions from 3% to 4% by 2021. Despite concerns about an increased contribution rate costing employers, a majority of employers support an increase to 4%.

3. A clear majority of respondents want the ability to choose automatic increases in contribution rates and to have extra choices to increase contributions.

After ten years of KiwiSaver we are maturing in our understanding and appreciation of the scheme. Given the universal support this research shows, we need to have a constructive policy debate on contribution levels and how we can increase them in a sustainable manner. It is important that these findings are given serious consideration at policy level.

GROWING THE KIWISAVER PIE

Some of the comments from our research group when asked whether they think there should be new laws saying how much of their KiwiSaver retirement savings someone can spend each year once they are eligible to draw the funds...

"A lot of people will need to cash up on KiwiSaver so they pay off debts such as a mortgage and thus reduce their expenses."

"I can understand a limit being set if a person takes out all their KiwiSaver, spend the lot then are dependent on NZ super and top-up benefits."

"I guess to avoid someone taking out all their savings and spending it negligently, and then expecting the state to support them until they die ... yes, we need to stop this from happening."

"My money is my money - why would you let government idiots dictate how much you can have and when you can have it?"

"A person should be able spend their savings in the way they choose."

RESEARCH PAPER #2

GREAT EXPECTATIONS

DECEMBER 2017

GREAT EXPECTATIONS

RETIREMENT REALITIES FOR OLDER NEW ZEALANDERS

This second research paper delved into the attitudes and expectations of older New Zealanders.
Our aim is to help grow the wealth of New Zealanders by understanding what wealth those aged 65 have accumulated, and how they intend to spend it. Given the increasing ages to which New Zealanders are living and that our population is ageing overall, this is an important and timely topic.

The research allows us to estimate for the first time the total wealth New Zealanders expect to take into retirement. It also allows us to see where they are under or over estimating how financially well off they will be after they stop paid work.

We went into this phase of the research knowing that KiwiSaver was 10 years old in 2017, and curious to understand what impact the absence of KiwiSaver had on older New Zealanders.

What we found was that, generally, **older New Zealanders are not well diversified**, relying on property and New Zealand Superannuation.

GREAT EXPECTATIONS

RETIREMENT REALITIES FOR OLDER NEW ZEALANDERS

KEY FINDINGS

The three key areas the research uncovered are:

1. Nearly all older New Zealanders will be living on the New Zealand Superannuation pension alone after just 10 years. The rapid use of all savings and other assets by New Zealanders when they retire indicates a need for education on what investment options are available during people's working lives. The concentration of wealth in a few asset classes and other results of this study, indicate New Zealanders could benefit from greater knowledge of potential investment types.

2. Nearly 4 in 10 of the elderly regret not having more financial advice, and many will embrace new technology to get further help to best-manage their assets. Similarly, many still in KiwiSaver want their providers to step up with more advice on how to reinvest savings and the proceeds of selling other assets, like their homes. With 54% of 65+ homeowners planning to sell their home to help their retirement, the older population still has a keen interest in making the most of their savings and assets.

3. The $218 average after tax weekly gap between what the retired need to live comfortably and what they actually have, sends a message to those still working to make the most of opportunities to grow their wealth and increase their sources of income. For many, the gap will be larger, especially if they still have a mortgage or are renting at retirement.

Our key observation is that there remains a significant opportunity to better serve New Zealanders with initiatives to help them grow and spend their personal retirement wealth. New Zealanders are demanding new advisory products and services and the challenge is for government and the financial services industry to act on that demand.

GREAT EXPECTATIONS

RETIREMENT REALITIES FOR OLDER NEW ZEALANDERS

We asked: Overall, what are your thoughts on the circumstances you will face or are facing in retirement?

"I am happy with my present circumstances and budget to my income."
(75 years +, Hastings)

"The rising price of power scares me a bit as there is nothing I can do to control this. My property upkeep is also a concern, I can see a lot of expense here in the future.."
(71 years, Wanganui)

"It's scary. I don't imagine that I will stop working until I'm 80."
(65 years, Auckland)

"I'm not an extravagant person and so my main concern is enough money to have heat power and the things necessary for comfort without have [sic] to scrimp and save."
(65 years, Whangarei)

RESEARCH PAPER #3

GENERATION KIWISAVER

JUNE 2018

GENERATION KIWISAVER

SECURING THE FUTURE FOR YOUNG NEW ZEALANDERS

The third research paper focused on younger New Zealanders, those aged 18-34, and their attitudes towards retirement planning. It examined what they expected in their retirement, how this would be funded, and their confidence towards future planning.

We discovered that **younger New Zealanders will increasingly rely on KiwiSaver** as their main source of income when planning for retirement and want more support with their financial planning.

For younger New Zealanders, only **54%** of respondents aged 18-34 expected to have their own home, and only **30%** expected to have New Zealand Superannuation at retirement. Millennials will be Generation KiwiSaver. This is a significant change from the findings of our earlier research which found that owning a mortgage-free home was the extent of retirement planning for many.

Despite having a lower asset base, Generation KiwiSaver has a higher expectation on the income needed to retire than the primary working age group – **2% higher at $754** a week. This means there is likely to be a **$205 weekly shortfall** between expected retirement income and actual retirement income for under 35s. Perhaps unsurprisingly we therefore found that young people are more worried than not over their prospective lives when they stop work – even though they still have plenty of time to plan and prepare for it. 18–24 year olds are less concerned than average, but concerns increase for those aged 25–34.

Given this, the research has a clear message about the need for continued strengthening of KiwiSaver and improvement in financial advice.
An overwhelming number of under 35s want the law changed so that minimum contributions to KiwiSaver are lifted gradually.
There is also a strong desire for greater visibility of how KiwiSaver funds are performing.

Getting KiwiSaver settings right will be vital for the future of young New Zealanders, and they will need better financial advice delivered in different ways.

As an industry we must rise to that challenge.

GENERATION KIWISAVER

SECURING THE FUTURE FOR YOUNG NEW ZEALANDERS

The key findings from the research were:

1. THE KIWISAVER GENERATION NEEDS TO DIVERSIFY

Ten years since the launch of KiwiSaver, younger generations are growing up with a view that KiwiSaver is a 'semi-compulsory' way to save for their first home and, eventually, their retirement. It is their expectation that KiwiSaver will be the asset that will help fund their retirement lifestyle. Owning a house and relying on New Zealand Superannuation are not options that our younger people seem to be counting on.

Comments from our young people indicate that they don't know where to start. They are calling out for help to better engage with their KiwiSaver savings so as to understand (1) how much they will need by the time they retire, (2) how to make their savings work harder for them while they are accumulating, and (3) how to make their assets last them to an expected average age of 83.

2. THE KIWISAVER GENERATION WANT GREATER SUPPORT TO ACHIEVE THEIR GOALS

With a lower asset base and higher expectations of their retirement income there is a strong call from younger New Zealanders for greater support to achieve their future financial security.

An overwhelming number want the law changed so minimum contributions to KiwiSaver are lifted gradually, they want greater flexibility to allow further automatic increases in their own KiwiSaver contributions and also want to be able to make contributions at higher levels than those currently allowed.

As well as greater flexibility in contributions there is a strong desire for greater visibility of how their KiwiSaver is tracking with strong support for requiring provision of annual forecasts of how much their retirement balances will be when they turn 65.

There is a need for the industry to ensure that Kiwis are aware of the existing support available and continue to evolve their tools and services to meet the changing expectations of their customers.

GENERATION KIWISAVER

SECURING THE FUTURE FOR YOUNG NEW ZEALANDERS

Younger respondents who were not worried either felt they had good plans or would earn sufficient income in the time they had before retirement, or felt that retirement was too far away for them to worry yet. Those concerned were largely driven by general uncertainty of what the future would hold.

"Both my partner and I have graduate jobs in high paying professions where we expect to earn in excess of $200,000 each from our mid-thirties. We are conscious savers and together already have significant assets in savings and shares."
(18-24 years, Auckland)

"I am currently spending the most I will ever spend before I have children, and earning the least I will ever earn, so am satisfied that my savings will grow for use after I cease paid work.."
(25-34 years, Hutt City)

"It's better to live in the now.....no point in worrying about it, just make it happen."
(25-34 years, Manawatu)

"The cost of living is just going up and up. To live comfortably when older I would need to be employed at a good rate working full-time for many years and giving up things while young to afford a suitable lifestyle when in retirement if I can afford to when old."
(18-24 years, Wanganui)

FINANCIAL SERVICES COUNCIL (FSC)

OUR VISION

The FSC's vision is to be the voice of New Zealand's financial services industry, with three areas of strategic intent:

1. Strong and sustainable consumer outcomes

2. Sustainability of the financial services sector

3. Increasing professionalism and trust of the industry

OUR PURPOSE

- Be recognised as an organisation that **represents the interests of the New Zealand financial services industry**, including to regulators and Government
- **Promote best practice and integrity** in the financial services industry, including through the institution of codes of conduct, standards and the publication of guidance for industry participants
- **Promote the financial services industry** for the economic benefit of New Zealand and to enhance the sustainability of the industry, whilst recognising the primacy of the interests of consumers
- **Develop and promote evidence-based policies and practices** designed to assist New Zealanders to build and protect their wealth
- Promote the financial services industry as a **medium for investment**

The Financial Service Council of New Zealand's reports and publications are available on our website.

fsc.org.nz

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Growing and protecting the wealth of New Zealanders

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September 2018