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INDUSTRY DISAPPOINTED AT NATIONAL PARTY PROPOSAL TO REDUCE KIWISAVER MINIMUM CONTRIBUTION LEVELS

The announcement that the National party will cut minimum contribution rates to KiwiSaver by employees and employers from 4% to 2% will be a disappointment to many New Zealanders who have adopted KiwiSaver and who are seriously attempting to save for retirement.

New Zealand has for over a decade consistently ranked amongst the lowest rates of personal saving within the OECD community. Lowering the minimum contribution levels for KiwiSaver will do little to change that position and will mean many people will continue to be largely dependent on Government support through NZ Super for their main source of income in retirement, said Vance Arkinstall, CEO, Investment Savings and Insurance Association.

Kiwisaver has been an outstanding success with over 800,000 New Zealanders in the scheme since introduction in July 2007. Clearly there has been a need for KiwiSaver. However, many of these members will feel let down by a change of this nature so early in the life of Kiwisaver, Mr Arkinstall said.

A minimum contribution level of 2% employee and 2% employer will have a major impact on the accumulation of meaningful savings for retirement and for first home buyers. By any standards these are very low contribution levels. Australia for example has a contribution rate of 9% of earnings [paid by the employer]. In Australia this is considered insufficient and they are planning on increasing this to 15%, Vance Arkinstall said.

The National party is right when it points out that some people have been unable to contribute at 4% , reducing the level to 2% will assist increased numbers to access the benefits of Kiwisaver, said Vance Arkinstall.

Currently, there are over 50 Kiwisaver funds available in the market. A number of these are struggling to gain sufficient critical mass to be viable. I expect that, if National becomes the Government and lowers the contribution levels, we will see a decline in the number of funds available as smaller and less economic funds are forced to consolidate or merge with larger competitors. The 6 existing default funds are likely to be the major beneficiaries. Rationalisation of this type would not necessarily be a bad thing as we probably have too many Kiwisaver funds for a market of our size, said Mr Arkinstall.

We are very pleased to see the clear statement from National that they will not change either NZ Superannuation benefits or the NZ Superannuation Fund. This is good news as NZ needs

a long period of stability where Government provided retirement benefits are not subjected to sudden change or amendment. New Zealanders need a period of stability to assess and plan and build their long term retirement savings, Vance Arkininstall said.

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