

Media Statement: Monday 2 March 2020

Default KiwiSaver move to balanced funds a win for Kiwi savers

The Financial Services Council has welcomed the changes to KiwiSaver default schemes as a win for savers but has sounded a note of caution about the potential for politicisation of the scheme.

“The key changes announced to the default fund settings are great news for Kiwis and the industry alike” said Richard Klipin, CEO of the Financial Services Council.

“We have been calling for some time for default schemes to be moved from conservative funds to balanced funds so it’s fantastic to see the Government taking action on this.

“The potential benefits for someone from being in a balanced fund rather than a conservative option over the duration of their working life are significant.

“This simple decision could be lifechanging for many of us and ensure that more Kiwis are able to enjoy a greater degree of financial security in their retirement.

“The measures around improving fee transparency and simplicity are also positive. We know that this area is a major concern for the public and the proposed changes should help address these concerns.

“Equally the new requirements around member engagement and education are welcome. They will help ensure that Kiwis make more informed decisions about their KiwiSaver investment and ultimately get more benefit from it.

“We do however sound a note of caution about the message that the decision to exclude fossil fuel investments from default schemes sends.

“Research commissioned by the FSC in 2017 found that New Zealanders want certainty with KiwiSaver, want it to not be politicised, and want it to be stable and focused.

“There is a risk that the fossil fuel decision may lead to a greater politicisation of KiwiSaver and the potential for reduced investor confidence which would not be helpful for anyone”.

Mr Klipin emphasised that any Government limitations on KiwiSaver investments must meet the test of being in the best interests of savers.

“That means being clear about how fossil fuel investment restrictions are defined and properly assessing the impact they will have on the financial performance of Kiwis’ retirement savings.

“Without these questions being answered there is a real probability that this move will be seen as a political call, rather than a rigorous well-thought out investment decision.

Finally, Mr Klipin urged the Government to prioritise work on how to manage the process if an existing KiwiSaver default provider is not reappointed, and they lose their default clients.

“This would likely involve transferring tens of thousands of KiwiSaver accounts at once and if not carefully managed could be a cumbersome process. It is vital that officials have modelled it carefully and planned accordingly.

“Trust and confidence in KiwiSaver are essential. We therefore welcome the changes in this announcement that help build stability and confidence in the Scheme. We urge though the Government to tread carefully on those that risk further politicisation of KiwiSaver and dragging it into the political arena”, concluded Klipin.

ENDS

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