

COMPULSORY KIWISAVER

Background

- KiwiSaver is a subsidised savings scheme. Employees contribute 3% of their income, employers contribute another 3%, and the Government contributes \$521 per annum.
- Employers must provide KiwiSaver information to all new employees and to any existing Employees exempt from automatic enrolment
- KiwiSaver is not guaranteed by the Government. This means you make your investment choices in a KiwiSaver scheme at your own risk.
- Kiwisaver funds are managed by Kiwisaver providers who receive a percentage of the funds in management fees.
- Kiwisaver is in addition to NZ Super.
- Withdrawal of Kiwisaver funds are generally not available until age 65.
- Labour proposes to make KiwiSaver compulsory, and to gradually increase the total contribution rate from 6% to 9%.

NZPIF Policy

The NZPIF is against compulsory Kiwisaver contributions as we believe investors should be free to choose where they invest their funds.

The scheme is already extremely generous to encourage participation.

There is no evidence that compulsion would increase national savings.

Support for the NZPIF position

"A compulsory savings scheme would no doubt achieve an impressive pileup of funds under management. But the effect on national savings would be more modest" Dominic Stephens, Westpac Chief Economist.

Treasury has said "Evidence suggests compulsory schemes generally increase household saving, but not by the full amount of compulsory contributions. Households typically respond by reducing other forms of saving to some extent."

The Savings Working Group does not support compulsory Kiwisaver

In 2011, Bill English said that the Government agrees with the Savings Working Group that a compulsory savings regime is not warranted. "Many New Zealanders have already opted out of KiwiSaver because they have valid reasons for not saving for retirement right now – including paying off their mortgage or being members of private savings schemes."