New Zealand Super and improving intergenerational equity

PIE Commentary 2026-7

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Susan St John[1]

There are strongly held views that NZ Superannuation (NZS) is either 'affordable' or 'unaffordable'. This contribution to the post budget, pre-election debate[2] suggests that while the affordability lens can be useful it fails to identify the actual problem. Until 'the problem that must be solved' is clarified, the pre-election debate will flounder, decreasing the likelihood of the emergence of a multi-party consensus necessary for long-term policy and called for by the former Retirement Commissioner.

There is a growing consensus that something 'needs to be done' about NZ Super (NZS) because apparently, we 'can't afford it'. Means-testing is suggested by a brave few with raising the age of eligibility another popularist solution.

While the affordability lens can be useful to debunk the moral panic over the rising costs of NZS, it fails to identify the immediate problem: that of stark and rising intergenerational inequity with growing poverty among both the old and the young.

The 2026 budget table below tells a stark story. For the current year, the share of NZS in total 'welfare' expenditure[3] of $48.9 billion is 54%. This share rises to 58% by 2030. Total welfare costs rise by $7.5 billion for the four years to 2030, and of this increase, $6.5 billion, or 87% will be due to NZS.

Why should the other groups represented in the table have such a limited share of this budget, and face a constrained projected outlook when poverty of these groups is so high? The voices are becoming louder.[4]

[1] Susan St John is the Director of the Pensions and Intergenerational Hub (PIE). PIE Commentaries are opinion pieces published as contributions to public debate, and do not necessarily reflect the view of the PIE Hub.
[2] Drawing on previous work and a Newsroom article Why we should take $3b off the top end of Super.
[3] The term 'social security transfers' is better. NZS is not a welfare benefit.
[4] See Aaron Smale, for example, 'Why should an increasingly brown workforce pay for Pākehā boomers' pensions?' Listener 20-28th June, 2026.

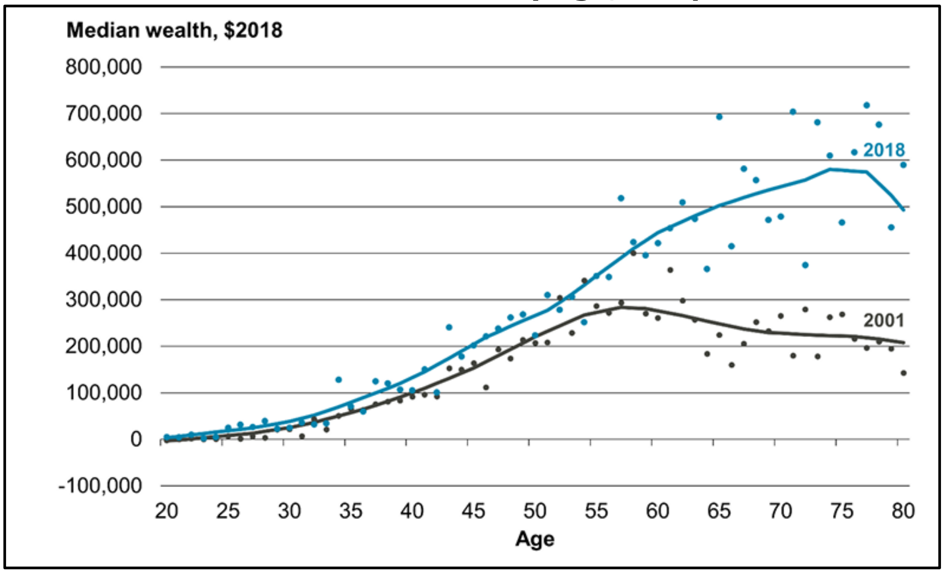
2026 Budget Table

Welfare benefit expenses Table 5.2 Befu 2026 ($millions)	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast	4 yrly change	%share of change
New Zealand Superannuation	24,730	26,481	28,324	29,715	31,207	6,477	87
Jobseeker Support and Emergency Benefit	4,944	5,018	4,940	4,807	4,902	-42	-1
Supported Living Payment	2,830	3,023	3,199	3,295	3,437	607	8
Sole Parent Support	2,390	2,474	2,408	2,236	2,233	-157	-2
Family Tax Credit	2,449	2,585	2,619	2,700	2,653	204	3
Other Working for Families tax credits	656	852	629	602	576	-80	-1
Accommodation Assistance	2,308	2,322	2,400	2,260	2,286	-22	-0
Income-Related Rents	1,800	1,893	1,888	1,885	1,940	140	2
Disability Assistance	518	533	541	538	543	25	0
Winter Energy Payment	583	595	600	609	620	37	0
Best start	327	286	275	281	274	-53	-1
Orphan's/Unsupported Child's Benefit	417	430	444	450	456	39	1
Hardship Assistance	816	835	751	748	785	-31	-0
Paid Parental Leave	745	785	825	865	910	165	2
Childcare Assistance	159	167	177	179	185	26	0
FamilyBoost tax credit	140	168	166	163	163	23	0
Veteran's Pension	132	132	133	131	130	-2	-0
Emergency Housing Assistance[1]	40	44	59	66	68	28	0
						0	0
Other benefits[2,3,4]	260	321	236	269	337	77	1
Benefit expenses	**46,244**	**48,944**	**50,614**	**51,799**	**53,705**	**7,461**	**100**

The growing share for those over 65 is partly inevitable due to the changing age structure. But a universal taxable approach may be at the expense of other welfare payments.

A significant group of superannuitants are very wealthy, own expensive homes and have large incomes and/or remain in very well-paid work. A Treasury report encapsulates what has happened to median wealth by age over time.

New Zealand wealth distribution by age, comparison between 2001 and 2018*



Ching B, Forward, T & Parkyn, O.(2023) Estimating the Distribution of Wealth in New Zealand, New Zealand Treasury Working Paper 23/01 April 2023

Updated to 2026, the age/wealth distribution gap would be even wider, reflecting the strong housing boom peaking in 2021 and many multimillion-dollar houses augmenting the excesses of untaxed wealth of the already wealthy. Meanwhile, Covid and current punitive, recessionary pressures have shredded the balance sheets of the poorest younger generations.

Even at the lowest (married person) rate of NZS, the very well-off can always retain at least a net $15,600 each, or $20,500 for those living alone. All are also given the untaxed winter energy payment automatically and generous gold card travel subsidies.

While the wealth and income divide within the older age group is growing, so too is the divide growing between the old rich and the young poor, and their children.

Spending on the Jobseeker and Sole Parent Support is expected to decline, reflecting an optimism that the economy will be in better shape, and because these benefits are indexed to inflation rather than wages.

Over the next four years spending on Working for Families, the principal tool for child poverty alleviation, goes up by about only 5%, much less than inflation, while Best Start for those under three goes down 16%. Today, the extent and depth of family poverty, rampant homelessness, mental illness, debt enslavement, and foodbank overwhelm are too hard to ignore, but under these projections are set to get much worse.

If the problem is intergenerational unfairness, raising the age of eligibility for NZS is a very blunt tool, applying only to future cohorts and not to the wealthy who are already retired. Such a policy does not generate revenue required in the short term for balancing up between old and young. The policy needs a long lead-in time and will generate many offsetting costs such as unemployment and ill health.

At the same time, reducing the level of the basic rate of NZS is untenable. Older person poverty is today very real, especially when people do not own their own homes. Yet means testing, (assets and income) along the lines of the Australian joint means test, or changing NZS to a welfare benefit as was attempted in 1991, are doomed to fail.

For 13 years New Zealand operated a surcharge that functioned to remove the pension from high income earners. The Todd Taskforce 1997 lamented its loss and claimed:

> *Some new way of targeting New Zealand Superannuation needs to be found once the surcharge is abolished. (Periodic Report Group, 1997, p. 47)*

PIE research, New Zealand Super as a Basic Income presents various scenarios (modelled by Treasury but not policy advice) and shows at least an extra $3 billion per year can be taxed back from high incomes on NZS with little or no impact on the majority of superannuitants and with fewer of the problems of the old surcharge.

This could be used to rebalance the welfare budget by improving Working for Families, the Accommodation Supplement, hardship assistance and allowing beneficiaries to be treated as individuals, not part of a couple. If this was 'sold' to the public as directly investing in the working age population and their children, it could be acceptable to the many thoughtful older wealthy superannuitants.

Moreover, it could be a compromise between a means test and universal payment Just as the surcharge was in 1993 Accord between the main parties, and as such it might be politically sustainable.[5]

Of course, that won't solve all our problems. We would still need an additional stream of revenue to rebalance the overall economy for long-term fairness and efficiency. A wider tax base that includes untaxed returns to holding assets is also required.[6]

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[5] St John, S (republished 2025) Where angels fear to tread chapter in Boston, Dalziel and St John eds, Redesigning the Welfare State in New Zealand (1999),pp 284-285.

[6] PIE research suggests we need a fair economic return approach that starts with housing.