



**TE ARA  
AHUNGA ORA**  
Retirement Commission

# Pressure points in our policies

## Facing up to the aging population

Jane Wrightson, Retirement Commissioner



# Retirement Commission (formerly CFFC)

Te Ara Ahunga Ora Retirement Commission aims to help New Zealanders retire with confidence

- meaning New Zealanders feel secure they'll have resources to live and the know-how to make ends meet.

Three focus areas: Retirement Income Policies, Retirement Villages and Financial Capability.

- Raise public understanding and advise Government on policies that will enhance retirement outcomes for New Zealanders
- Monitor the retirement villages legal framework
- Help New Zealanders think long-term to improve their financial outcomes and prepare for retirement



# Retirement Income Purpose Statement

A **stable** retirement income framework enables **trust and confidence** that older New Zealand residents can live with **dignity and mana**, participate in and **contribute to society**, and enjoy a high level of belonging and connection to their whānau, community and country.

To help current and future retirees to achieve this, a sustainable retirement income framework's purpose is twofold:

1. To provide NZ Superannuation to ensure an adequate standard of living for New Zealanders of eligible age. **NZ Super is the Government's primary contribution to financial security for the remainder of a person's life.**
2. To actively support New Zealanders to build and manage **independent savings that contribute to their ability to maintain their own relative standard of living.**

The retirement income system sits within the broader government provision of **infrastructure** also needed to enable older New Zealanders to live well, such as health care, housing, and transport.



# What do we know?

- Aging population –perhaps 25% over 65 by 2056
- Not a baby boomer blip – lower birth rates, increased longevity
- COVID-19 has dented ability to manage individual long-term saving as well as the Crown's fiscal position
- Seniors' housing costs will be seriously impacted within two decades. NZS not designed to include significant housing costs
- Who's financially comfortable now? Mainly older Pakeha men
- MSD reports increasing uptake of supplementary assistance amongst NZS recipients (Accommodation Supplement, Special Needs Grant, Temporary Additional Support)
- Low interest rates affect older people more



# Individual savings

- Fine for those who can do it - are there enough carrots?
- KiwiSaver great (voluntary Tier 3 scheme) – average balance \$25k
- Reliance on an unchanged KiwiSaver will further disadvantage those already disadvantaged (gender and ethnic pay gaps, time out of the labour market)
- Our latest research show two thirds of NZers make poorly informed choices about financial products
- People earning below \$30k have better impulsivity control than those earning over \$100k
- Motivation to save is heavily dependent on trust and confidence in the retirement income system



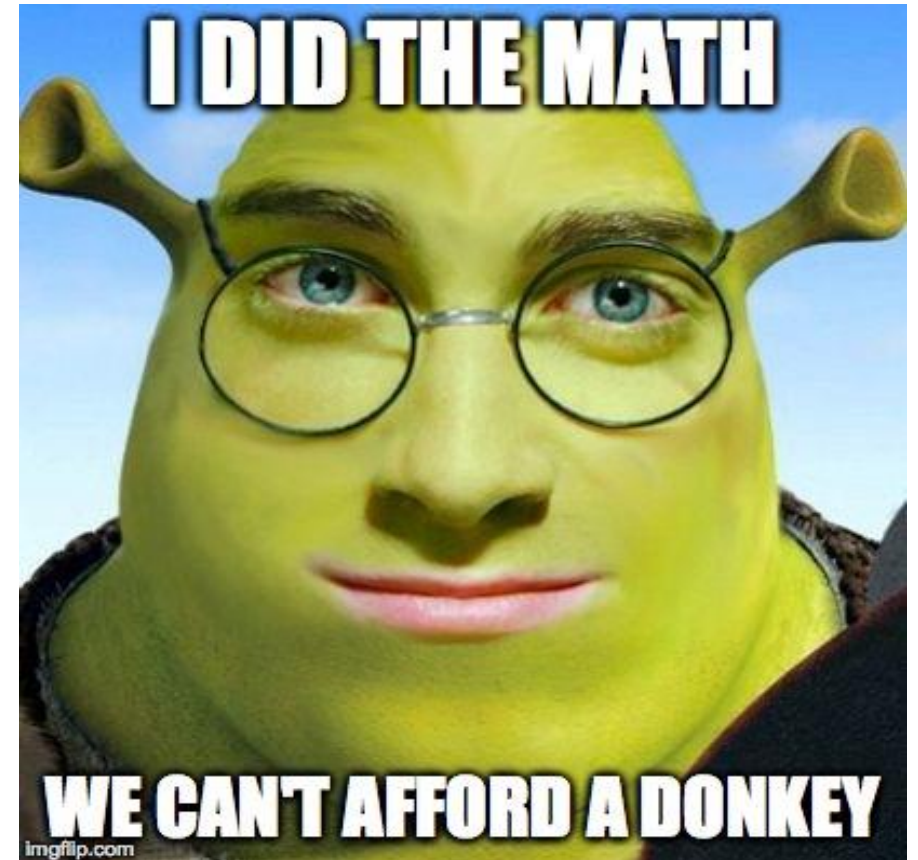
# A universal pension

- Easy to administer
  - Do the few recipients that don't need NZS outweigh simple universality?
  - Avoidance schemes
- Fair to all
  - Māori? Pasifika?
  - Of current NZS recipients, only 5.6% are Māori and just 2.6% are Pasifika (MSD June 2021)
- "Generous"
  - Not necessarily, given difference between increasing housing costs and average wages
  - We don't have a tier 2 pension policy so reliant only tier 1 (NZS) and tier 3 KiwiSaver (equity issues)



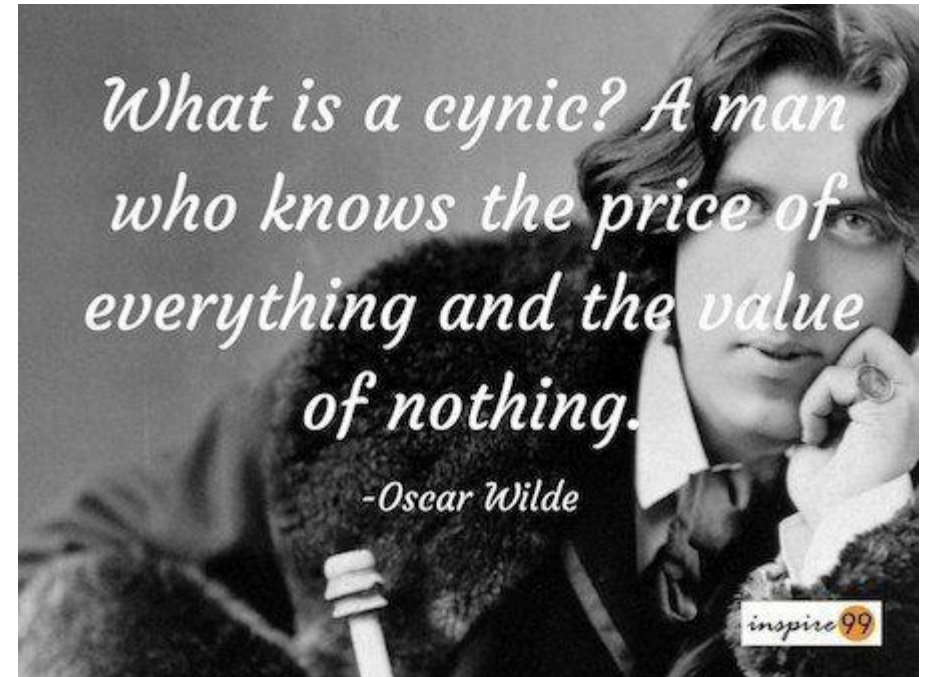
# But we can't afford it

- Who says?
- Treasury's draft LTFS projects gross NZS will represent –
  - 5.6% of GDP by 2030, 6.5% by 2045, and 7.6% by 2061
- **Is 7.6% too much for a quarter of the population?**
- What kind of society do we want?
- NZS (like other transfers) is funded largely through tax revenue
- Is it time to think harder about our tax settings (we are international outliers for not taxing capital gains, inheritance or land/property)
- Rising health costs need funding too...



# Is Oscar Wilde right?

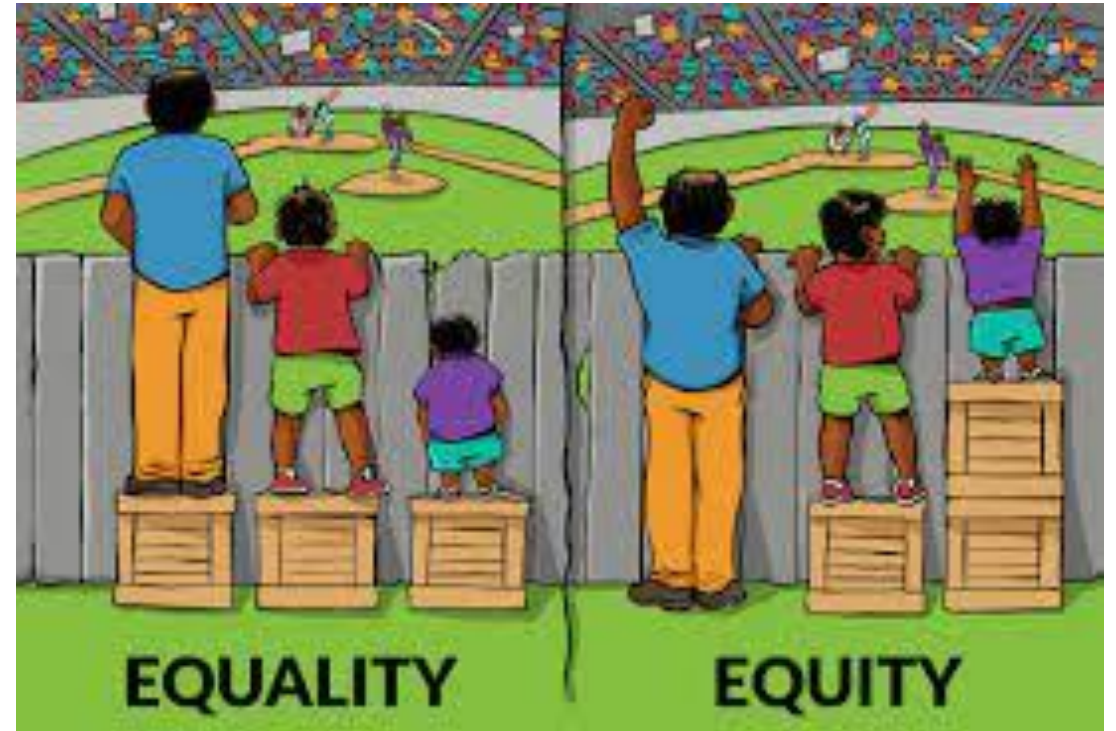
Can we afford **not** to properly provide for seniors' wellbeing?





# Options for NZS

- Be rigorous: is a settings change necessary?  
Not just a platform, but actually necessary
- Be people-centred: ensure any change is implemented with a decade's notice
- Be thoughtful: impact on a diverse population
  - age/ethnicity/time in NZ/ means testing/equity/ workforce profile
  - Who does each option affect the worst?
- The Treaty?
- Simple is good: the harder NZS gets, the worse to administer fairly



# What now?

- Think more broadly than just cost: think purpose
- NZS is less a cost than **support** for up to a quarter of the population to help their wellbeing in old age
- Avoiding pension poverty is as important as child poverty
- System certainty is what will help younger people add to their savings preparation
- Radical thinking?
  - More savings incentives
  - Compulsory KiwiSaver
  - Affordable health insurance
  - Seniors included in list of housing issues
  - Introduce capital gains tax before changing pension age **if** affordability really is pressing (or the FER model?)
  - Avoid reductionism: not all boomers are rich, not all young people are profligate

He waka eke noa

