Inland Revenue
Te Tari Taake

Qualitative research

Influences of KiwiSaver on attitudes and behaviour of individuals and employers

Prepared for:
KiwiSaver Evaluation Steering Group

Prepared by:

National Research and Evaluation Unit
Colmar Brunton

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Qualitative research

Disclaimer

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Inland Revenue
Te Tari Taake

National Research and Evaluation Unit
Te Wāhanga ā-motu mo te Rangahau me Aromātai

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Section 1. Executive summary and conclusions

Executive summary

The research objectives are to provide:

- insights from KiwiSaver members and non-members regarding their attitudes and behaviours towards savings
- an understanding of the positive and negative implications of KiwiSaver for employers and individuals.

The population of interest comprised four groups: employers, KiwiSaver members, KiwiSaver non-members and KiwiSaver providers.

Thirty-five individual, in-depth, qualitative interviews were undertaken from 24 March to 9 April 2014. The interviews were undertaken face-to-face in three locations (Auckland, Wellington and Masterton) and nationwide by telephone.

Employers can be characterised by their size, financial robustness, whether or not they have dedicated administration and financial resource and their acceptance of KiwiSaver. There appears to be an inverse relationship between financial robustness and KiwiSaver's impact on employers' costs, remuneration and employment policies—the more financially robust the business, the less likely the business is to recover the contribution cost of KiwiSaver from remuneration and employment.

KiwiSaver members are characterised by the extent they live for today or plan for tomorrow and whether they take a cautious or confident approach to their financial options. There are indications that there is a group of members who are cautious and without KiwiSaver they would not have been thinking about their retirement. They have joined KiwiSaver because they were auto-enrolled and their pay is automatically deducted. This group indicates they would not otherwise have saved and that their savings in KiwiSaver are additional savings. There are indications that those KiwiSaver members that are cautious and deliberately planning towards retirement are possibly substituting some of their savings, investments and mortgage repayment to KiwiSaver. So, they may have saved at least a proportion of their KiwiSaver contribution anyway. There is a third group of KiwiSaver members who are confident about their retirement planning and may have contributed some lump sums to KiwiSaver to supplement their other financial strategies. This group may have substituted savings.

KiwiSaver non-members can also be differentiated by the extent of forward planning and the level of confidence. There is group of non-members who are cautious and are not convinced that KiwiSaver is the best savings vehicle for them. Another group are confidently "living for today" and not worried about the future. A third group simply cannot afford to make KiwiSaver contributions.

Conclusions

What is the impact of KiwiSaver administration on employer compliance costs?

Employers indicate that the administration of KiwiSaver is a relatively minimal cost added to other non-wage administration costs such as holiday leave, ACC and overheads. Employers could not isolate and quantify the administration costs of KiwiSaver. There are some spikes in the administration cost such as when KiwiSaver was first introduced, when people initially join, or when people's circumstances change. Even these spikes are considered relatively minimal.

What is the impact of KiwiSaver 3% employer contribution on employer compliance costs?

Note that employers think about compliance costs in two ways—the administration compliance cost and the employer 3% contribution cost. This conclusion therefore captures employers' feedback on the contribution cost (as opposed to the administration cost which is considered negligible).

Because the 3% contribution rate is a percentage cost, employers can (if they choose to) work out the exact dollar value of the employer contribution.

There are several approaches to working out contribution costs. Smaller businesses with fewer employees and/or fewer members (less than five) might work out dollar costs by the individual member. If an individual's salary and wage without KiwiSaver is $44,000 (median income), that individual is getting an additional $1,320 per annum.

Some employers will go further and work out the equivalent cost in monthly, fortnightly, weekly or hourly terms (if employees are paid by the hour). Note that employees tend to think of the employer contribution as extra pay and they may also work it out on a per annum, monthly, fortnightly, or hourly rate if they choose to.

Employers are on a continuum of not attempting to recover the cost, recovering the cost from the total salary and wage cost or recovering the cost from the individual. Generally, there seems to be a relationship between financially robust, larger organisations and less cost recovery (and vice versa). In the more financially robust larger organisations, the KiwiSaver dollar value cost is another cost to be budgeted for and may be small in relation to other business costs.

What is the impact of KiwiSaver on remuneration policies and employment?

As outlined earlier, there is a continuum of cost recovery, depending on the type of business and employers. This also determines KiwiSaver's impact on remuneration policy and employment.

At one end of the continuum there are employers that have a relatively passive approach to KiwiSaver. These employers tend to be larger, financially robust and/or value the wellbeing of their employees. They think that saving is a good financial decision for individuals. Although they are fully aware of the cost, they budget for it accordingly as an additional wage and salary cost to the business in budgeting and business planning rounds. To this extent KiwiSaver is a cost, but has no direct or discernable impact on decision making around remuneration policy or employment. KiwiSaver costs to the business are not discussed with employees. Information is provided to employees so that people can decide whether or not to join KiwiSaver. Employers may be reluctant to advise employees on whether or not to join as they don't want to contravene the financial adviser guidelines.

Other employers are acutely aware of the costs of KiwiSaver and have a mindset that this is yet another imposed cost or tax carried by the business on the government's behalf. These employers tend to be less financially robust, eg, poor cashflow, struggling industry, owner heavily involved in financial decisions. KiwiSaver costs have some impact on remuneration policy and employment. The employer contribution is considered a pay increase and the employer may try to "cap" total wage and salary costs in other ways—by employing fewer people, giving fewer pay increases and bonuses, replacing employees with contract staff, or reducing costs elsewhere. In the absence of recovering costs from wage and salary or other aspects of the business, the cost comes off the bottom line.

A third group of employers are resentful about contributing to employees' savings targets and the cost imposed on their business that they can't afford. These employers are usually smaller, not financially robust and/or owner–operators. They will actively attempt to recover the KiwiSaver contribution from total wages and from the individual through direct negotiation. Their mindset about KiwiSaver is closely aligned with their attitudes and behaviours related to other tax types, eg, GST and PAYE—"doing the government's work and getting nothing in return".

How has KiwiSaver changed the savings habits of New Zealanders?

In the context of a discussion about KiwiSaver, providers gauge that KiwiSaver has established a savings habit and increased savings on the basis that membership has increased and has not been to the detriment of other investment products.

Employers offer a similar line of argument—membership has increased and therefore savings must be increasing. Further, they have personal insight into employees who they perceive would have typically been more likely to live from pay packet to pay packet. Employers perceive that most young people are using KiwiSaver to save for a house. With further thought, they are not sure whether people would have saved for a house anyway (making this substitute savings). Employers think that a retirement savings habit is being established and that people are saving more for their retirement than would otherwise be the case, but they have no evidence of this.

Employers perceive that KiwiSaver benefits the individual employee.

There is little or no perceived benefit for the employer apart from use of money of the employee and employer contributions until they need to be paid to Inland Revenue. This is much the same as the use of GST and PAYE for cashflow and has the same risks.

If people have joined KiwiSaver to save for a house purchase they tend to think they would have saved that money anyway, although without the government and employer contributions.

In terms of retirement, people think that there is more awareness about the need to save for retirement and KiwiSaver is considered a key option. Some members are certain that they are saving more for their retirement than they otherwise would, especially if they only have KiwiSaver (ie, this is additional savings). Others are not so sure. Alongside KiwiSaver, they have other financial strategies—property, mortgage repayment, investments, savings or business ownership—and they are uncertain whether they would have put the KiwiSaver amount into these other options.

Overall, employers, employees and KiwiSaver providers all arrive at the same (soft) conclusions—KiwiSaver has created additional retirement savings, with some element of substitution. In terms of mortgage debt repayment, there is some suggestion that this has been offset/substituted by retirement savings. The harder evidence that the KiwiSaver providers (in this research) report is the reduction in other superannuation work schemes, the increase in membership and the growth in capital invested in funds.

In terms of whether KiwiSaver savings are of value to the economy, although both employers and employees have an awareness of the government message that “as a country we need to save more”, most struggle to understand the rationale for this at a macro level.

Rather than the economy *per se*, people are more likely to think of the implications of KiwiSaver versus New Zealand Superannuation (NZ Super)—people think it will be reduced, less available, or non-existent when they reach retirement age. People are not sure exactly how KiwiSaver figures in the NZ Super equation, but it seems they feel “hedging their bets” is a wise course of action.

Detailed findings – overview of sections

The detailed findings are divided into sections on:

- employer characteristics and KiwiSaver’s impact on employers’ costs, remuneration and employment policies
- KiwiSaver member and non-member characteristics
- indicators of KiwiSaver being additional or substitute savings
- KiwiSaver’s perceived impact on individuals’ savings, investments and mortgage repayment
- KiwiSaver’s perceived impact at a macro level
- trends in attitudes and behaviours towards KiwiSaver since its introduction, and what people think may happen in the future.

Section 2. Research objectives and methodology

Research objectives

The purpose of the KiwiSaver Act 2006 is to:

> *encourage a long-term savings habit and asset accumulation by individuals who are not in a position to enjoy standards of living in retirement similar to those in pre-retirement. The Act aims to increase individuals' well-being and financial independence, particularly in retirement, and to provide retirement benefits.*

The high-level qualitative research objectives are to provide:

- insights from KiwiSaver members and non-members about their attitudes and behaviours towards savings
- an understanding of the positive and negative implications of KiwiSaver for employers and individuals.

The specific research objectives are to provide qualitative insight into the following:

1. What is the impact of KiwiSaver administration on employer compliance costs (2007/08 to 2012/13)?
2. What is the impact of KiwiSaver upon remuneration policies in firms (2007/08 to 2012/13)?
3. What is the impact of KiwiSaver on employment in firms (2007/08 to 2012/13)?
4. How has KiwiSaver changed the savings habits of New Zealanders?

This qualitative research project will complement the administrative and economic data in the quantitative Value for Money research which is being undertaken concurrently by Inland Revenue as part of the KiwiSaver Evaluation programme.

Research methodology

Thirty-five individual, in-depth, qualitative interviews were undertaken from 24 March to 9 April 2014. The interviews were undertaken nationwide by telephone or face to face (in Auckland, Wellington and Masterton). The sample is detailed below.

Note: People were encouraged to discuss KiwiSaver from a variety of perspectives. For example:

- employers were encouraged to reflect on their employees' motivations for membership/non-membership of KiwiSaver
- some members discussed how they think their employer funds their KiwiSaver contribution as well as their perceptions of why some of their work colleagues, friends, family, adult children are members/non-members
- employers who are personally members of KiwiSaver were encouraged to discuss KiwiSaver from a self-employed perspective. Employers who are non-members were asked why they are not members.

Population of interest	Variables
KiwiSaver members (10) in Auckland, Wellington and Masterton	A range of backgrounds, age, ethnicity, education, income and type of employment (full-time, part-time, self-employed).
KiwiSaver non-members (5) in Auckland, Wellington and Masterton	A range of backgrounds, age, ethnicity, education, income, type of employment and government benefit. Employers also commented on people in their employ who are not members of KiwiSaver and members commented on people they know who are not members.
Employers (15) nationwide	A range of industries (trade, manufacturing, food, retail, farming, entertainment, hospitality, forestry, funerals, health sector) with a range of number and type of employees, ie, full-time permanent, part-time permanent, casual, contract and with a mix of KiwiSaver members and non-members. Note that some of these employers are also themselves KiwiSaver members/non-members. Additionally, some of the self-employed smaller employers are also in paid employment for other businesses.
KiwiSaver providers (5)	The KiwiSaver providers included three default providers.
TOTAL 35	

Section 3. Employer characteristics and KiwiSaver's impact on costs, remuneration and employment policies

This section of the report details employer variables and their different approaches to costs, remuneration and employment.

The respondents in the research were either owners or (in larger organisations) payroll managers, HR managers or accountants, as owners felt that these people were better able to comment on KiwiSaver costs and policies.

Employers hold individual views on KiwiSaver and most agree that it is good for individuals to save for their retirement. However, employers differ attitudinally as to whether they willingly contribute to their employees' savings (or whether it should be nothing to do with the employer). All employers view KiwiSaver as a cost, but they differ behaviourally as to whether this cost is:

- hardly noticed (relative to other costs)
- borne/absorbed
- budgeted for/recovered in overall remuneration costs
- recovered individually from the employee's remuneration.

Attitudes towards KiwiSaver tend to drive cost-recovery behaviour and, to a large extent, how employers think about the cost. How they respond to this cost is closely aligned to attitudes and behaviours towards tax compliance (identified in other SME research undertaken for Inland Revenue).

The following chart profiles employers on a continuum from 1) resistance to KiwiSaver 2) grudging acceptance through to 3) a more willing acceptance of KiwiSaver.

Willing acceptance of KiwiSaver

This group of employers tend to be, but not always, larger employers. Respondents included owners or senior financial management, eg, accountants. Typically, businesses in this category are financially well-managed, have dedicated and skilled financial/administrative resources and/or are in growth or secure industries. These employers tend to start the conversation about KiwiSaver by saying that they think it's a good thing for individuals to plan and save for their retirement (and these same employers are often members themselves). They are also able to consider how KiwiSaver may be good for the economy (see Section 6). A few may actively encourage their employees to join. Others may not actively encourage their employees to be members, but they certainly provide information and leave it to the individual to decide either way. These employers tend to have a more macro, holistic view of the business, wellbeing of employees and the overall economy.

The cost of KiwiSaver is:

- an increased cost that is just absorbed (although this may be the view of senior management, rather than the owners/shareholders)
- budgeted as part of an increase in total remuneration costs
- a small amount/cost in absolute dollar terms and/or relative to other business costs (eg, rent), so it's perceived as inconsequential
- a small amount/cost in absolute dollar terms and/or relative to other staff costs (eg, training), so it's perceived as inconsequential
- part of being a responsible, ethical employer who considers the wellbeing of employees
- part of supporting young people to save
- a cost that will be borne along with higher than average salary and wages to attract and retain quality, highly skilled employees
- a cost that has no direct bearing on remuneration policy.

> *KiwiSaver is a great idea for young people to save and get ahead. Just doing our bit to help people save. It's just something we do.*
>
> **Employer, farming, three employees including three members of KiwiSaver, managed 50–59 years, North Island**

> *Australia is very different. It (superannuation savings) is factored into remuneration, but it's compulsory. (We have made) no changes to remuneration policy here (in New Zealand). If it was compulsory it (remuneration) might be looked at differently, but you can't treat members and non-members differently. It's not factored into new employee offers. When comprehensive budget rounds are being done, all of the business costs are put forward. We budget for employer contribution but it's just another cost. It has no impact on profitability. We're too large. It would have (impact on profitability) on a smaller organisation.*
>
> **Large employer, international, 750 employees, two respondents—payroll manager and HR manager, Auckland/Wellington**

Grudging acceptance of KiwiSaver

As with employer attitudes towards GST, PAYE, income tax and employee provisions for holidays etc, there are indications that some employers' attitudes towards KiwiSaver can be summarised as "you just have to do it, there's no choice" and/or "it's another tax or cost imposed by government". Employers/owners in this category tend to be very aware of the cost of their total KiwiSaver contributions and perceive it as an additional cost to total remuneration costs, ie, they are paying people more. They view KiwiSaver as an increased cost, but can't increase revenue to cover it and may not try to recover it from total remuneration costs (yet).

Ultimately, then, these employers say the extra cost is having an impact by reducing profit and coming "off the bottom line". One employer pointed out that decreased profit means decreased tax revenue for government.

> *When I look at wages (and most of our wages for staff are around $18–$27 dollars an hour), I have to look at 8% of holiday pay, ACC, sick days (which is fair enough), maternity leave, bereavement leave. So I've got to look at the hourly rate and say "well I've got to add in about 21 to 22% roughly in there somewhere to cover Anzac Day, Easter Friday etc. If you're not careful that percentage thing will get closer to 30%. I think it's around 25%, if you've got KiwiSaver."*
>
> **Employer, hospitality, 21 employees (most are KiwiSaver members), not a member himself, Christchurch**

> *If we have an employee choose to go into KiwiSaver, we don't have a choice, it's a requirement. I don't know how to recover it, do we pass that on to our customer?"*
>
> **Employer, trades, two employees (one member), also in paid employment herself (but not a member), aged 50–59 years, Tauranga**

> *Just take it on the chin. KiwiSaver equates to $20,000. We can't change the rate we charge customers, so it's absorbed. Employees don't realise that it's an extra amount they get paid. Accept it or you will be fuming all the time. (If didn't have to make KiwiSaver contribution) it would be gross profit. Part of that would have been taxed anyway.*
>
> **Employer, trades, 12 employees (all KiwiSaver members), a member himself, Wellington**

Resistant to KiwiSaver

These employers resent the introduction of KiwiSaver because they see it as another cost imposed by government on small businesses. Their attitudes towards KiwiSaver are very similar to their attitudes towards GST, PAYE and ACC. They tend to be vocal to their employees about the costs, actively discourage their employees from joining and/or negotiate the cost with individuals. They are typically in "financially tight" industries and are small owner/operator businesses. They are more likely to be self-directed themselves when it comes to retirement planning and don't think they should contribute to other people's retirement savings. They have a more micro perspective, focused on what is good for the business, rather than employees or the economy. They think that the cost of KiwiSaver makes it harder for small business to be financially viable and therefore has a negative impact on the economy.

> *To hell with it, let them save it them xxx selves, that's my opinion. If you want to save for your retirement, get off your xxx and put your money away.*
>
> **Employer, tourism, five to nine employees (two members of KiwiSaver), not a member himself, North Island**

Typically, these employers:

- are very aware of the cost of KiwiSaver
- believe it is appropriate to recover the cost through salary and wage negotiations with individuals
- are unable to raise their charge-out rates (would become uncompetitive)
- say the 3% employer contribution is a cost that influences their decision making on the number of people they employ and the hourly payment rate
- deliberately recover the employer contribution component of the salary and wage cost, eg, through lower hourly rates, limited (or no) pay rises or smaller bonus payments
- move away from employment towards contracting (so there is no employer responsibility for tax and KiwiSaver)
- introduce explicit KiwiSaver negotiations with new employees
- consider KiwiSaver as a pay increase for existing employees.

> *Right from the start we talked to Rob about what the hourly rate was going to be and then Rob said he wanted KiwiSaver. We have to put (it) in. (SME) took the 3% off, so Rob's still getting that hourly rate. (We're)a small business so we do struggle at times, and we have to be careful negotiating a wage, (not) overdoing it and ending up not being able to employ anybody. What we're paying Rob is over and above whatever the rate is. (We can) use that as a bargaining tool, the rate is xxx because you could choose to have KiwiSaver. Or (we could) say your wage is low because there's KiwiSaver and ACC and everything else, so it's your choice to take it or not.*
>
> **Employer, trades, SME, two employees, North Island**

There is an inverse relationship between the financial robustness of the business and the level of explicit cost recovery. That means there is some indication that the lower the financial robustness of the business and the lack of dedicated resource to financially manage the business, the higher the level of resistance to KiwiSaver and the higher the level of explicit cost recovery. The inverse also appears to have some weight. There is also some signal that less financially robust businesses with tight cashflow are using the employee contribution for cashflow purposes (as they might do with PAYE and GST) until the due tax payment dates. This has potential implications for tax debt.

Employees: Unaware how their employer funds KiwiSaver

To cross-reference employers' comments about costs with those of employees, some of the members in the latter stages of the research were asked about their perceptions of how the employer contribution is funded. Note, no employer and employee were in the same business.

Most of the employee members interviewed in this research have not had cause to think about the funding/cost of the employer's contribution. When prompted, they perceive that the employer's KiwiSaver contribution is an additional amount of money (salary and wages) that they (the employee) otherwise would not have received. Many express the reason they joined KiwiSaver was to get the extra employer contribution (ie, a pay increase). Whether this is actually the case has not been made transparent or explicit by their employer.

Most employee members interviewed had not had direct, explicit individual negotiations with their employer on salary and wage amounts with and without KiwiSaver. However, one employee member commented that when the employer contribution was increased from 2% to 3% it was taken out of his hourly rate. He countered this by working more overtime.

Some had only become employed since the introduction of KiwiSaver so have a perspective based on a more "bedded in" environment, while older employees were able to reflect on what happened when it was first introduced (an additional, semi-unexpected cost) versus seven years of employer practice around KiwiSaver cost.

A few employees in larger organisations in senior management positions have more insight into financial management costs, remuneration, budgets, revenue and profit. Some have previously been self-employed and can apply their own experience.

Conversely, most employees in this research have little insight into, or need to understand, the financial management of the business they work for.

In this research/cohort of employees, it appears that there is little explicit discussion about KiwiSaver costs with employees (but we know that the resistant employers discussed earlier have these discussions).

Some employees have an implicit understanding (correctly or incorrectly) that KiwiSaver is factored into the individual salary and wage package. There is no transparency around this.

> *I think it's a zero-sum game, they can only afford the same amount of money so it comes out of your salary effectively. Less so in the public service where everyone is graded and the grades are quite clear, but if you are in a free negotiation space in the private sector I think it would be a zero-sum game. I do suspect that (KiwiSaver) is in there.*
>
> **Member, man, aged 50+ years, three children still at home, part-time employment and self-employed, Wellington**

> *I think it has to come out of your package. I'd be very surprised if it wasn't, if I was putting together a package it would be the whole package and then I'd have to allow for KiwiSaver… Initially, everyone had their packages and then their workers were suddenly signing on to it. I had an incredible boss and he was a bit put out by it because suddenly he didn't have the money to do it.*
>
> **Member, man, aged 30–39 years, married, young family, employed, Masterton**

Some employees perceive recovery from individuals is achieved through negotiating individual salary packages that result in "less money in the hand", lower hourly rates, reduced bonuses (or stricter criteria for bonuses), as well as lower, or fewer, pay increases. Employees also think that KiwiSaver is:

- an increased cost to the business (an increase in the total salary and wage cost) that at first would have been unexpected and not budgeted for, but is now budgeted for and absorbed
- countered by reducing costs elsewhere (where they can)
- countered by increasing revenue, eg, charge-out rates and fees (where they can).

Few employees have an awareness or interest in what the ultimate consequences of KiwiSaver contributions will be for their employer.

Employer administration cost: minimal for full-time permanent employees

As well as the direct cost of the employer contribution, employers were also asked about the compliance/administration costs. Larger employers have dedicated resource for administering payroll, invoicing, tax, government compliance and they also have software packages. While there may be resistance to the total compliance/administration cost, the additional cost of KiwiSaver administration is not able to be split out, and is considered negligible.

> *It doesn't impact on us at all. It doesn't feature on our radar.*
>
> **Large employer, 750 employees, payroll manager, Auckland and Wellington**

> *(KiwiSaver) is just one of many things we do in compliance. You pay a form of tax every three or four weeks of some description. I have 21 people working for me, one is virtually full-time just doing accounts.*
>
> **Employer, 21 employees (most are members), he is not a member himself, Christchurch**

Small employers have to work out the administration of KiwiSaver in the same way they do for student loan or child support deductions. Once they know how to do it, and if they have low employee turnover or straightforward pay, it's considered to be a small administrative cost. Like larger employers, they are not able to determine the actual administrative cost of KiwiSaver *per se*.

> *Our last employee he had child support that had to come out, haven't had anyone with student loans—I don't know if I could get my head around that one, IRD just tell you how much to deduct, I have no idea but it's not that difficult because when you get your IRD, your PAYE form to fill in, it's got everything itemised what you need to put in and what each payment is for, so you just have to add it all up and write out the cheque and send that. So again KiwiSaver it—it's money that's been withheld each week and you just pay it out once a month.*
>
> **SME, trades, one employee, central North Island**

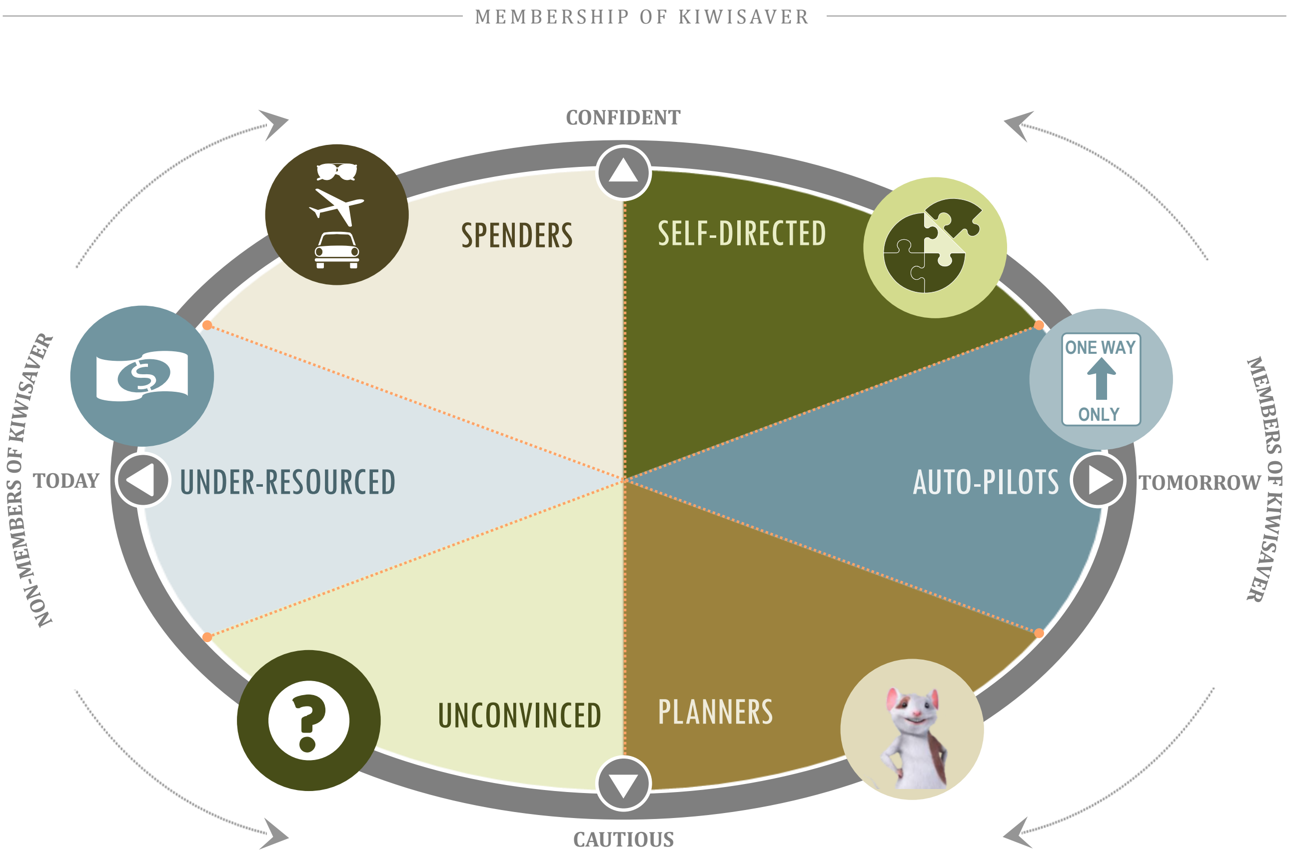
Some smaller SMEs (without dedicated payroll/administration resource) worry about whether they are making the correct deductions and contributions and this takes time to ensure they get it right. This is aggravated when they have staff who are not on a regular, full-time permanent salary, eg, overtime rates, people starting/stopping contributions, roles becoming redundant and re-employing people in other roles, mistakenly taking out the wrong contribution and then having to correct it and/or changing contribution levels.

Section 4. KiwiSaver member and non-member characteristics

This section of the report details the KiwiSaver member and non-member variables.

Life-stage, demographics (eg, age) and financial triggers (eg, employment and level of income) are generally well recognised and can be collected quantitatively. The qualitative research with members and non-members has focused on understanding personality, motivations, drivers, perceptions, attitudes and behaviours around financial planning and KiwiSaver specifically.

The research has identified at least six segments differentiated as below.



There is a vertical dimension in the diagram that differentiates people in terms of whether they are inclined to live for today versus plan for tomorrow, and a horizontal dimension that differentiates people according to their confident versus cautious approach towards finances, risk and planning. Each of the following sections describes the characteristics of each segment and what this indicates in terms of motivations, membership/non-membership of KiwiSaver and level of engagement.

Note, the segments are indicative of different patterns of behaviour and attitudes and although they appear to be equal in weighting, it is not possible to quantify the size from this piece of qualitative research.

Members: Auto-pilots

"Auto-pilots" are typically not giving a great deal of thought to the future, but the education, ease and availability of KiwiSaver has encouraged them to save for a house and/or their retirement where they otherwise wouldn't have (yet). Without KiwiSaver, they are in a life-stage where they would have been more focused on paying off a student loan, borrowing/saving for holidays and other items, saving for a deposit for a house, borrowing money for a house, paying off the mortgage and then saving for retirement.

They are most likely to be in permanent full-time employment and they joined KiwiSaver because they were automatically enrolled, they opted in because they were advised to by people they trust, they received a government incentive and/or they are saving for a house. They may still be with the default provider and in the default fund. Otherwise, they will have followed advice to be in a higher growth fund when young (unless saving for a house, in which case they may be in a more conservative fund), and a more conservative fund when older. They perceive that KiwiSaver is government backed and government won't let the providers fail (as has happened with other financial investment providers resulting in people losing their life-savings).

They have some knowledge of different risk profiles and types of funds, but typically are content to "set and forget" so will have minimal engagement with the provider or fund once they have decided on the fund. They are likely to pay the minimum 3% contribution. They may change provider when they take out a mortgage on the bank's advice (or insistence) to have all their funds with one bank.

The financial market people (in this research) suggest that as the funds build up and become larger amounts, people in this group may become more engaged and active decision-makers and may change providers and funds. They may also migrate into the "planner" segment.

Auto-pilots themselves, their employers and financial market respondents suggest these people are saving more than they otherwise would have. Younger people may have otherwise been in the "spender" category, or the "under-resourced" (as circumstances have changed). Older people may have migrated from the "unconvinced" as they have received further information and, as KiwiSaver has "aged" they have felt more secure that it won't change or fall over.

> *It was just here's your salary and you sign a form and KiwiSaver automatically comes out. The way I look at it it's like my student loan and PAYE, it all comes out and I just get what's left…. It's just going to keep building and by the time I retire I will actually have a decent amount of money sitting there…If I wasn't putting into KiwiSaver the money would get spent, I wouldn't be saving it. I might have saved some but I certainly wouldn't have saved as much as what I have and that's why I think KiwiSaver's great.*
>
> **Member, woman aged 30–39 years, full-time employment, two young children**

> *I'm with Kiwibank (who is your KiwiSaver with?) Don't know. (Type of fund?) Don't know. Wouldn't know how to change anyway.*
>
> **Member, man, aged 50+ years, full-time employment, Wellington**

> *"I was given some paper to sign, I didn't really read it but they (bank) said I would get $1,000. I think it's low risk because it's not going up."*
>
> **Initially recruited as a non-member, but he thinks he is a member, part-time employment, male aged 20–29 years, Auckland**

Members: Planners

This segment typically takes a cautious, considered, carefully planned approach to financial matters, including retirement savings and income. They actively seek information and advice from knowledgeable friends, family, accountants, financial advisors, insurance brokers, lawyers and banks across all aspects of their financial planning. They are most likely to be in full-time employment and may have enrolled in KiwiSaver themselves, rather than being auto-enrolled.

"My parents started a retirement plan for me when I was about 12. I signed on to KiwiSaver within a month of it first starting up … I was a big pusher for everyone at work and it scares me when you look at people when they are older and they're just living on the pension and don't own a house or anything … It's the highest (fund) … the people getting close to their pension go the more conservative. Everywhere I talked, all said go on the highest for younger people.

Member from the beginning of KiwiSaver, man, aged 30-39 years, young family, full-time employment, Masterton

"There's money there that I can't touch… but it's not for retirement. It's like an interest-earning account—the employer contribution is the interest as well. Want to buy property and improve it and get capital gain."

Member, joined as soon as KiwiSaver started, University Student, employed part-time, Auckland

Planners are likely to have been attracted by the security and financial benefits of KiwiSaver—employer contribution, government contribution—both the kick-start payment and first house purchase initiative (although some of them may not withdraw for a first house as they are possibly more longer-term focused than the auto-pilots). They are more likely to actively consider their own risk profile and which provider and type of fund is best for them. They may increase contribution levels towards investments or debt repayment as their income increases. They are unlikely to have "all their eggs in the KiwiSaver basket". KiwiSaver will be one of a number of financial commitments including diversified savings and investment options, asset build-up and mortgage repayment. They are unlikely to rely on NZ Super (they think it will have changed by the time they retire).

They indicate they are not sure whether their KiwiSaver savings are additional savings to some degree or whether they are actually substitute savings when debt repayment is factored in.

Members: Self-directed

This group of people are typically confident that they can make their own investment and planning decisions and can possibly achieve a better return than they can get from KiwiSaver funds. Better investment options are considered to include other investments/shares, buying a house, buying rental property, investing in a business or repaying a mortgage. This attitude is particularly apparent among people who are self-employed and/or are entrepreneurial, have a "rely on yourself" mindset or very high levels of financial literacy. Some of this group may have smaller investments in KiwiSaver—typically, the self-employed may make some lump sum investments to get the government contribution, but they don't view KiwiSaver as a cornerstone of their retirement planning and income. They generally tend to think that they won't retire at a certain age, but will keep working as long as they can and as long as they enjoy it. They think that NZ Super will become more limited or not available and that people need to plan for their own retirement.

For this segment it appears likely that KiwiSaver investment is substitute savings (reweighting their investment strategy).

(I have a) collection of AMP investment and various parcels of shares, a little bit of savings but not enough. A new house as well and we're taking on a small flexi-mortgage—you put everything on the credit card and pay it off in time and carry minimum other debt, it offsets the mortgage. Because the rate of the term on (KiwiSaver) conservative (fund) is not good enough … probably 2% or 3% … Plus there's the do-it-yourself ethos, there's concern about how high the fees are … impatience with fund managers, some lucky wins on the share market as well which encouraged me, wasn't too exposed in '87 … and the best form of saving is still the house … the best saving is not paying anything on interest rather than earning interest and then often paying tax on that.

Member, minimal contribution, man, aged 50+ years, three children still at home, part-time employment and self-employed, Wellington

We own our own home. If I had a lump sum of money I would put it on the mortgage where I can see the benefit straight away. Key focus at the moment is the children. Will consider buying a rental property in the future … The appeal of property is capital gain. I would need to research (KiwiSaver) to fully understand the options.

Non-member, was in full-time employment (now maternity leave), 30–39 years old, Auckland

Non-members: Unconvinced

Some non-members may say that they haven't "got around to joining KiwiSaver", but with further questioning and reflection they realise this is because they are:

- unsure what the fees are, but think they may be too high
- too close to retirement to make it worthwhile (it would be only a minimal sum)
- cautious and uncertain as to whether it is the right savings "vehicle" for them
- uncertain as to whether they should be saving or paying off their mortgage
- still adopting a "wait and see" attitude
- sceptical and cynical about KiwiSaver's stability and longevity (government might change its mind)
- requiring more information and advice from knowledgeable sources before they can make a decision.

> *There was a lot of information but I didn't look into it. I had intended to join in the future but I didn't get around to it. I'm naturally sceptical. The contribution from the government—does that still apply? What percentage is work required to pay? I need to do my research. What are the rules on holidays from contributions?*
>
> **Non-member, man, 40–49 years, full-time employment, local government, Wellington**

The questions that people who are uncertain about KiwiSaver have include the following:

- What if I can't afford the payments? Can I stop payments? Can I withdraw the amount saved?
- What money can I take out when I want to buy a house?
- How secure, stable and trustworthy is government decision making?
- How secure, stable and trustworthy are the providers? (although there are indications that this is less of a concern now than when KiwiSaver first started)
- How secure, stable and trustworthy are the funds?
- What are the fees?
- Who can contribute?
- Can self-employed people contribute? How do they contribute?
- What happens if I go overseas?
- Should I be saving or paying off debt?
- What is the employer contribution?
- What is the government contribution? Does the $1,000 start-up still apply?
- In what situations does the contribution holiday apply?
- What is the ability to shift between providers? And funds? And how?
- Who are the different providers and what are the differences between funds?

> *In the early years especially it looked an unholy mess but there were umpteen providers with umpteen products and of course quite a few of them seemed to have died off. I notice recently that Gareth Morgan is no longer attaching his name to KiwiSaver. So it's certainly still highly confusing I think even one path has about six plans running and God knows how many through the associated ANZ Investments so, there is such a thing as too much choice I definitely think people are overwhelmed.*
>
> **Contribution holiday, man, aged 50+ years, three children still at home, part-time employment and self-employed, Wellington**

Non-members: Under-resourced

People who are "under-resourced" have a focus on today because they have little access or ability to control their financial resources. This segment of people:

- has circumstances outside of their control, eg, poor health or redundancy
- has multiple demands and other priorities that mean a focus on the financial needs of "right now"
- is financially under-resourced due to low income (eg, minimum wage or not in full-time, permanent paid employment) relative to high living costs (rent, mortgage, children, utilities, transport, food).

This group of people is most likely living day to day (because they have little choice) and are unlikely to have the ability to service a loan on a house, be able to pay off debt quickly or to have savings for the future. They worry about the future and would like to save, but they are unable to in the current circumstances. They are unlikely to be members of KiwiSaver, but would be if their circumstances change.

> *I'm a full-time caregiver for my grandchildren. I've got enough things to think about at the moment, so really it's (KiwiSaver) the last thing on my mind, and just putting food on the table is a struggle. I do worry about it (retirement income) but I just can't see myself past the next few years, my grandchildren just take up so much of my time, energy, finance everything, just finding it a struggle to survive. I'm on a sole benefit at the moment, and I do work, I have been partially working in the shearing industry when it works in with the children. I'd love to save, I really honestly would love to, there's no two ways about it, if I could save I would.*
>
> **Non-member, woman, aged 50+ years, casual work, sole caregiver for four grandchildren, receiving a benefit, Masterton**

> *I needed help to be motivated and I had no other savings and investments, but the organisation I was working for was liquidated, now I'm contracting part-time and stopped contributing. My partner isn't working so I'm (working very hard) and need every penny.*
>
> **Member/stopped contributing, woman, aged 50+ years, part-time contractor, Wellington**

Non-members: Spenders

Note that we only canvassed the view of one person who would be in this category, but other respondents reflected on people they knew who were not members and lived from pay packet to pay packet, with different priorities to saving and planning for the future. They are not financially "strapped"—they have different priorities. People also reflected that they used to be in this category, or otherwise would be.

This group of people are typically living for today—they are confidently unconcerned about the future and want to spend/enjoy life today. They may have very short-term savings goals (eg, for a car, travel). They possibly tend to be younger people with no commitments of a house or family.

> *I could even use my daughter as an example, she lives from week to week on her money, if she's got money there she's going to spend it. The young guys are more interested in their girlfriends and their cars.*
>
> **Employer, SME, trades, North Island**

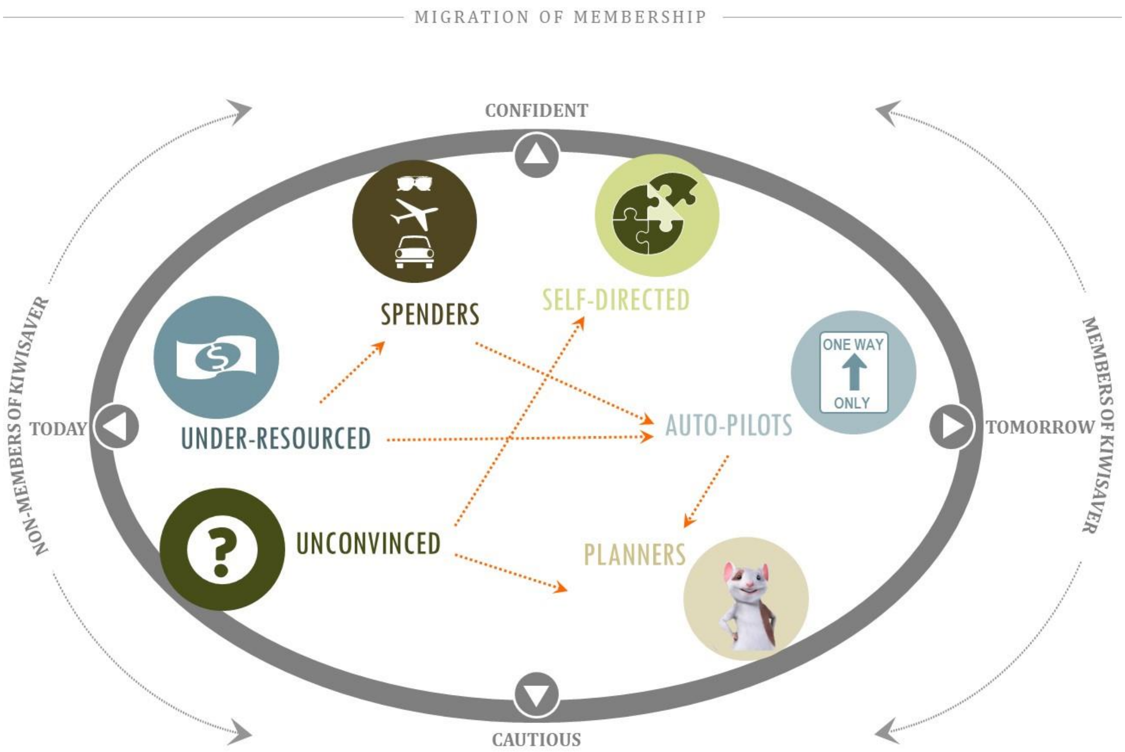
Employers do see a trend, however, with a sense that there are fewer spenders and more auto-pilots—mainly due to automatic enrolments.

The following chart provides an overview of potential migration from non-membership to membership. It also shows migration between member segments as they become more confident, experience a change in life-stage or circumstances and, as the amount invested becomes more significant.

There is also potential for people to migrate out of membership contributions (contribution holidays), due to loss of employment income, and become under-resourced. It is not known what will happen after people have bought their first house or on reaching 65. There is some suggestion from older self-directed individuals that if the amount invested is under $10,000, it will be spent as it is too small to greatly contribute to ongoing retirement income.

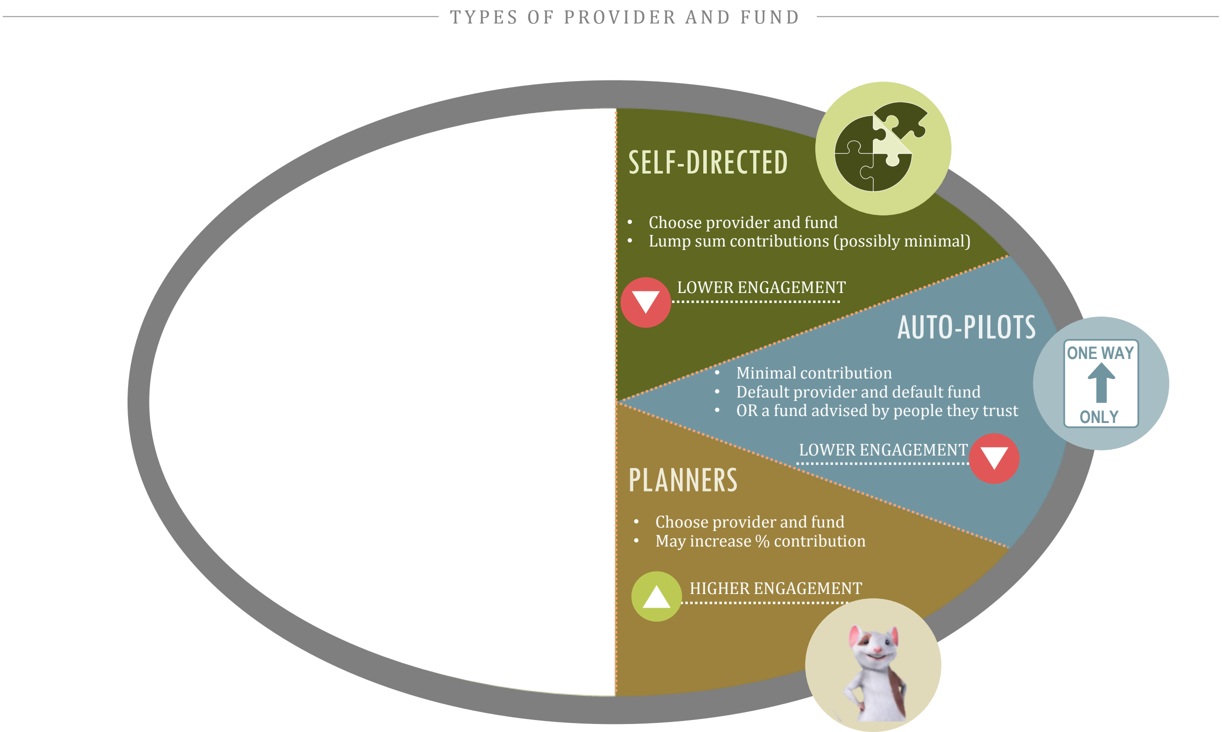
The following quote is from a non-member who has migrated across several segments in the last few years—under-resourced (couldn't afford) to self-directed (house purchase and mortgage repayment) and now unconvinced.

> *"Initially, I couldn't afford it … struggling to pay the mortgage. I didn't understand the scheme and had distrust of government. Now I could afford KiwiSaver without noticing it. I don't save at the moment so if I joined KiwiSaver it would be saving. Temptation of having employer contribution. But too many options. I work in finance and even for me it's quite dense. Too much study required. Would feel locked into decision. Not sure KiwiSaver is the best option for me. Until recently I was putting money into house mortgage. Equity was my saving. It's more important to be out of debt. Would consider it (KiwiSaver) if could understand the numbers easily."*
>
> **Non-member, full-time employment, woman aged 30–39 years, central North Island**



Provider, funds and contributions

The membership segments have given some indication of provider, fund type and the level of contribution. This is summarised in the chart below.



Planners are definitely working out the provider and the type of fund that best suits them. They may be varying their contribution. They like to be with a bank for security, but also so that they can see the balance easily.

> *I pretty much jumped on it (KiwiSaver). I could see the benefit. I was with IAG initially but couldn't see how it was tracking. Now with ASB so I can see it on internet banking. It's also safer with a big bank, rather than those insurance companies that have gone belly-up.*
>
> **Member, man, 20–29 years, owns his own home using KiwiSaver for deposit, Auckland**

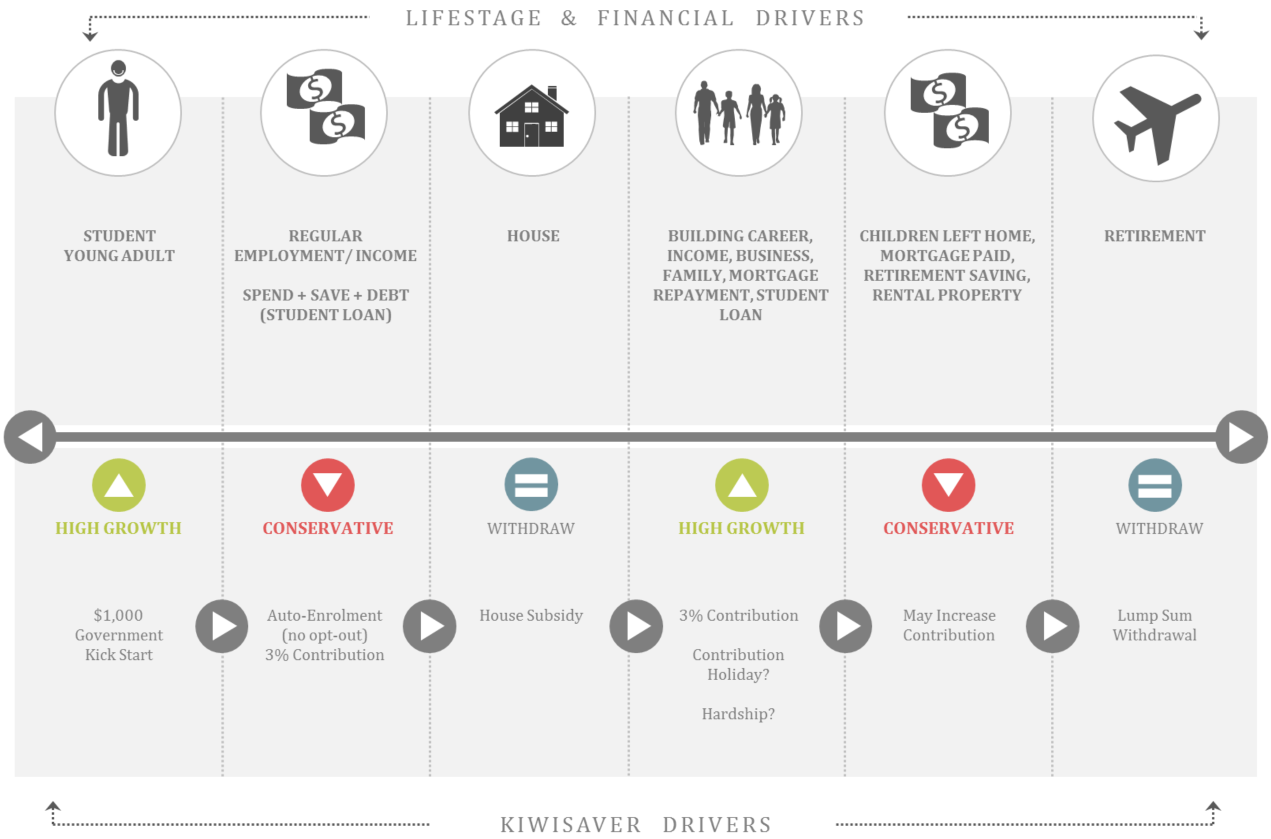
The KiwiSaver providers (in this research) suggest that people who have sought advice from a financial adviser are less likely to switch providers or funds (as they will be confident in their first choice). There is evidence, though, of competiveness between providers, particularly from banks that are using more aggressive, cross-selling techniques and hooking people in, or persuading them to shift at the time of a first home purchase. Some members reference this as well.

The providers think that there will be more switching behaviour as KiwiSaver savings build up and they become a larger asset. One suggested that the tipping point will be when funds are the size of "a secondhand car" as then KiwiSaver will become people's second largest asset.

Members also support this contention—some people say that the dollar amount they have contributed to KiwiSaver so far is too small to monitor, but that this may change as the amount increases.

Life-stage, financial drivers and KiwiSaver

The next chart goes into more detail of how life-stage and financial drivers "marry" with KiwiSaver triggers and types of funds.

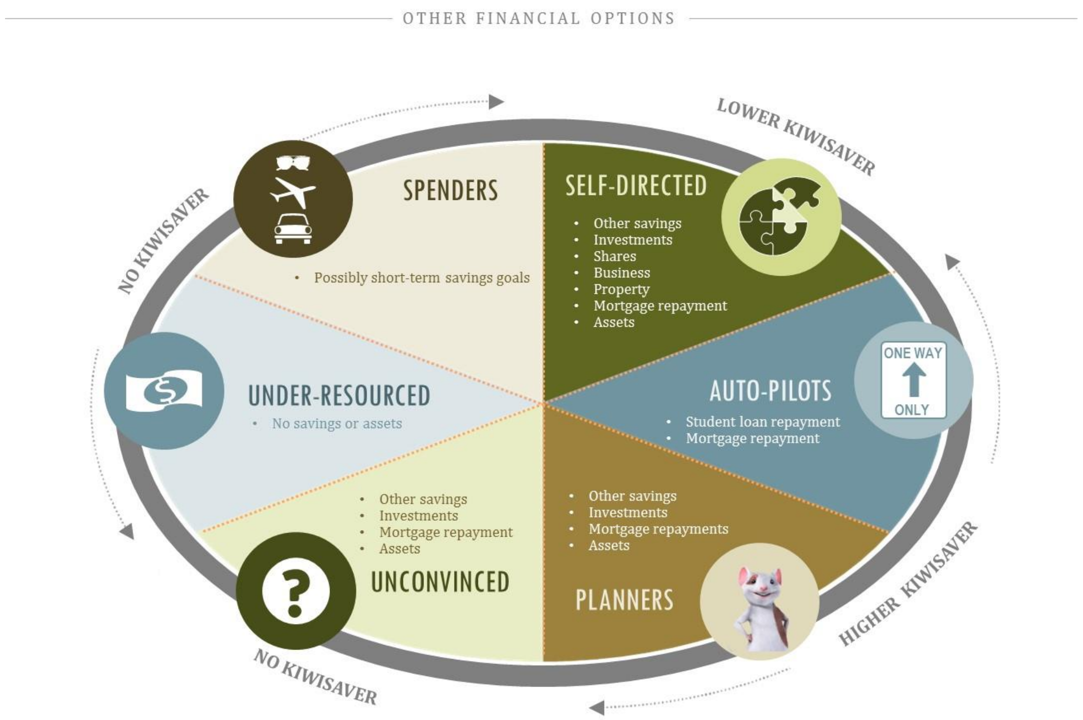


Indicators of KiwiSaver being additional or substitute savings

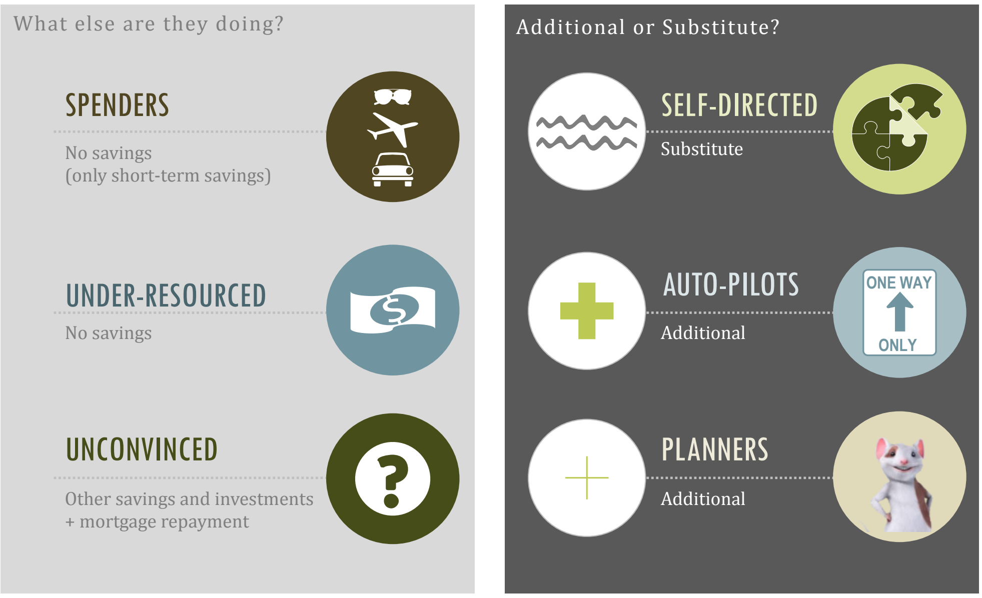
The chart below summarises the other financial plans, debts or assets each of the member segments may hold. This tends to indicate whether KiwiSaver is additional or substitute savings, which is discussed in more detail in the subsequent pages.

There is a range of financial options that people are generally aware of—acquiring and then paying off short-term debt such as loans or credit card debt, short-term savings for items or travel, saving for a deposit on a house, borrowing and paying off a mortgage on a person's own home, borrowing and paying off the mortgage on a rental property, savings accounts, investments in managed funds, shares, building up a person's own business so that it can be sold, continuing to work as long as possible, KiwiSaver and NZ Super. People indicate they are "hedging their bets" with greater or lesser emphasis on savings and retirement depending on life-stage, income and personality (as highlighted in the segments outlined earlier).

KiwiSaver providers see an increase in membership and growing balances, with little impact on other portfolio investments and conclude that New Zealanders are saving more, and that KiwiSaver is successfully meeting its objectives of encouraging a long-term savings habit.



The chart below summarises additional or substitute savings in each of the segments.



Indications of additional savings among auto-pilots

It appears that KiwiSaver, with auto-enrolment, automatic deductions from salary and wages, as well as government and employer contributions, has made saving more financially attractive and easy, particularly for the auto-pilots. KiwiSaver providers also contend that KiwiSaver has made savings easier and financially beneficial for "middle New Zealanders".

> *If you have a room full of people, particularly middle New Zealanders, there is a huge middle ground of people who could have been saving but the decision-making process was too hard, couldn't see the benefit. Now this has come along and there is free money from the Government, money from your employer... It is an easy option that they should have got around to, but didn't, so more money is being saved with KiwiSaver. Money you would have otherwise spent on something. There was only a tiny fraction of people drip-feeding into superannuation schemes."*
>
> **KiwiSaver provider**

It is also evident that people in this group want to do the "right thing" and prefer to follow government's advice (save for your retirement) without too much responsibility to weigh up options or rationalise what they are doing—"set and forget" suits them very well.

Auto-pilots can be further differentiated by house ownership and mortgage. Those that have yet to buy a house indicate they are using KiwiSaver as a house-saving vehicle (to varying degrees) and/or retirement (to varying degrees). They are unable to predict how else they might have saved for a house, whether they are saving more or faster and what will happen to their KiwiSaver contributions, post-house purchase. They do tend to indicate, however, that if the money had not been deducted from their pay they would have been spenders.

> *"I would have spent it probably—on shoes, clothes and holidays. Sounds terrible but it's true."*
>
> **Member, woman aged 20–29 years, full-time employment, Wellington**

Members of KiwiSaver with mortgages are not sure whether they should pay their mortgage off first, or faster, and then save for their retirement (with no clear advice available about this). Rather, they tend to be doing both (paying mortgage off and saving for retirement). They tend to consider KiwiSaver as an amount they wouldn't otherwise have saved (and boosted by government and employer contributions). However, they haven't factored in whether they would have paid their mortgage or found some other savings, investment or superannuation scheme. As they have low/passive engagement in planning, they are unable to predict what might have otherwise happened—save elsewhere, pay off the mortgage or spend. They think, however, that they are saving more than would have been the case.

While some members are uncertain, employers of young people are much more certain that the auto-enrolment and automatic deductions from salary and wages is encouraging more savings at this stage of their lives than would otherwise have been the case.

On the other hand, some employers think that some people may become overly reliant on thinking that KiwiSaver is taking care of all of their savings and therefore they won't do anything else.

Indications of some additional savings among planners

Planners suggest that they would have saved or planned for their retirement in some other way, whether it was actual savings and investments, building assets or mortgage repayment. This is because they like to cover their bases and want to plan and ensure they have sufficient retirement income at age 65 years. Note, however, that even they recognise there is sometimes a vast difference between what someone thinks they would do and what they actually do left to their own devices.

However, they also recognise they might not have saved as much in total without the attraction of KiwiSaver, ie, the relative security of a KiwiSaver provider and fund, as well as government and employer contributions. Also, some of this group are likely to increase their contributions as their income increases (particularly those on higher incomes and in older age groups).

Overall, these members are somewhat uncertain whether the amount in KiwiSaver is additional or substitute—on balance, they indicate it is likely to be additional.

Indications of substitute savings among self-directed

Self-directed are already planning for their retirement in other ways, eg, business or rental property. KiwiSaver is only a (small) component of their total financial plan. These people suggest they would have used the money elsewhere and that KiwiSaver is substitute savings.

Section 5: KiwiSaver's impact on individuals' other savings, investments and mortgage repayment

Superannuation schemes

The employers, members and non-members in this research did not appear to have other superannuation schemes so were unable to comment. There was some mention of endowment insurance policies, but no real consideration of how KiwiSaver fits into the equation.

KiwiSaver providers report a trend in the reduction and consolidation of other work based retirement schemes as KiwiSaver is easier and cheaper to administer.

> *Xxx have not taken a lot of time to analyse what has changed since KiwiSaver came in. We do have a xxx workplace saving scheme and there is a trend we have noticed (trending down) that could be the result of KiwiSaver…. we had xxx employer super schemes. Contributions dropped roughly 20%. They were always difficult to manage—needed employer input. Then KiwiSaver came along and they don't have to have any involvement in it so saw it as an opportunity to provide something that gave them the out—we the employer don't have to be involved any more. KiwiSaver is cheaper to administer—a perfectly cheap and easy option.*
>
> **KiwiSaver provider**

Other savings and investments

It appears that some people have parallel savings and investments—some because they are diversifying, spreading their risk and seeking better returns, and others because it is convenient and easy to track movement towards specific goals from separate accounts.

KiwiSaver may have encouraged some people to allocate money and then spend what is left over, as opposed to a "spender" approach which is to spend salary and wages and save what is left over.

KiwiSaver providers (in this research) do not report major shifts of funds out of other investment portfolios. KiwiSaver is therefore perceived as additional (rather than substitute) and more of a "set and forget" approach, while other portfolios are more actively managed and possibly involve larger lump sums of money that can be accessed.

> *I don't think it has had any real impact on the managed funds industry, unit trusts. The unit trust market with $20,000, $50,000 to invest, they are unlikely to lock it into KiwiSaver. Generally, if you have $50,000 to invest we have not noticed any change with KiwiSaver coming along.*
>
> **KiwiSaver provider**

Providers suggest that when planning and reviewing overall investments and savings, people tend not to take account of KiwiSaver in their strategy. Providers hypothesise that this will change as balances in KiwiSaver increase. Note that these providers did not include any of the major banks, so they are not able to comment about trends in bank deposits and savings accounts.

House purchase and mortgage repayment

KiwiSaver is seen to encourage saving for a house deposit and first home purchase. This is perceived as desirable because owning your own home is “the Kiwi dream” and it is an asset that can be sold to fund retirement. Post house purchase it appears that members view mortgage repayments and KiwiSaver separately—one is house repayment over 25 years and parallel to that is retirement savings for 25 years. Some people, however, still think that it is better to repay debt first. Other people factor in the extra employer contributions and think that KiwiSaver is more financially advantageous than debt repayment. Others are just confused. KiwiSaver providers also comment on the mortgage repayment versus savings equation. There is some argument that KiwiSaver has shifted attention away from mortgage repayments and also the employer and government contributions make KiwiSaver more advantageous.

> *"KiwiSaver has shifted things slightly away from the conventional wisdom that you paid off debt first before investing. Whereas before if you had $30 or $50 extra you might put it into a unit trust or pay off your mortgage. Pre-KiwiSaver it was probably better to put it into your mortgage—8% or 9% return before tax made sense to pay off your mortgage. KiwiSaver came along and with the $1,000 kick-start and employer matching payments then it is better than paying off mortgage—so money diverted from debt to KiwiSaver.”*
>
> **KiwiSaver provider**

Section 6: KiwiSaver's impact at a macro level

KiwiSaver's relationship to New Zealand Superannuation (NZ Super)

Most people see the impact of KiwiSaver at a micro (individual) level—regardless of whether they are an employee, self-employed or an employer. People consider that individual saving and planning for retirement is desirable, if not essential (although some employers argue that an individual's savings should not be funded by the employer).

People consistently question the future of NZ Super, without being able to say the source of their doubt and questions. There seems to be uncertainty around whether NZ Super will exist at all by the time people in the 20–39 age bracket reach retirement age as they perceive it will be unaffordable for the government to fund.

People in the 40+ age bracket think the amount of NZ Super entitlement will reduce, that it will be means tested and the qualifying age will rise. Some assume that KiwiSaver was introduced to help take the pressure off funding NZ Super.

Given these question marks, people think it is very important for the individual to have their own income plan for their retirement, eg, KiwiSaver.

Even with NZ Super in its current form people feel they are being encouraged to save to top it up because it won't be sufficient to live on.

> *Assume it won't be there when we get there, it will be pocket money.*
>
> **Member, full-time employment, woman, aged 40–49 years, Wellington**

Some people query whether they are paying for retirement twice—by contributing and taking care of their own retirement and paying taxes to fund non-members of KiwiSaver who will qualify for NZ Super because they won't have anything else. Employers especially feel they are paying twice (or more) through tax, employer contributions and funding their own retirement.

KiwiSaver providers contend that NZ Super will exist, but not in its current form so KiwiSaver is needed to supplement this income.

> *"KiwiSaver is a little nest egg on top of NZ Super."*
>
> **KiwiSaver provider**

KiwiSaver's impact on the economy

Among the wider community (members, non-members, employers) there appears to be limited thought or understanding of KiwiSaver's impact at a macro-economic or national level. People have been told (although they are not sure by whom) that as a country we need to save more. However, they don't really know why this is. They can understand KiwiSaver at an individual level but not at a macro level. For example, some people are aware of the different fund types, but don't know where and how the funds are invested.

People think that KiwiSaver has the potential to have a positive impact in that:

- people will have their own retirement income and not rely on government
- KiwiSaver funds (employee and employer contributions) might/should be invested in New Zealand providers and in New Zealand business growth
- KiwiSaver funds must be being used by the government now (but they are not sure how or what)
- KiwiSaver funds may be used by future governments to fund NZ Super for those that qualify/need it
- more money "going around" must be a good thing.

> *"They (the government) say the more we save the better our economy is, but that money has got to be paid out sooner or later. I can't get my head around how that works. I guess it's money that they're able to use at the moment isn't it? It's (KiwiSaver funds) going somewhere, I don't know where it goes."*
>
> **Employer, SME, trades, one employee, Wellington**

> *Money-go-round. More money in the economy, creates wealth for the country, investing off-shore is building the pot of gold. Means the government can reallocate NZ Super money to social issues—health, education.*
>
> **Member, full-time employment, local government, Wellington**

Some employers argue that KiwiSaver costs imposed on businesses have a detrimental effect on the economy in that increased costs to businesses results in reduced profit margins and, potentially, closures. This in turn means a loss of tax revenue for the government and higher unemployment.

People are also concerned KiwiSaver funds are with foreign-owned banks/providers and/or invested in shares offshore so suggest this does not benefit New Zealand or New Zealanders.

> *I think that KiwiSaver money should be put into Kiwibank and then used for home loans and small business, because small business is a very big employer in this country and to have small business working well then I think we'll get more people off unemployment, which is positive for the country. I don't understand why KiwiSaver is with ASB (and they) decide to invest in a hydro scheme in the United States of America, I don't understand why we're doing that, it doesn't make any sense to me at all.*
>
> **Employer, 21 employees (most are members of KiwiSaver), he is not a member himself, Christchurch**

KiwiSaver providers contend that because KiwiSaver membership has increased so have savings overall. Additional saving has multiple benefits for the economy in terms of less liquid investments, infrastructure, shares and productive assets.

Trends since the introduction of KiwiSaver

Employers perceive that KiwiSaver membership is increasing and therefore New Zealand's level of savings must be increasing. This is a perception based on the number of employees that have joined KiwiSaver. They assume that these employees would not have otherwise saved. Other trends over time (since the introduction of KiwiSaver in 2007) they have noticed are:

- initially people may have opted out, but now are more likely to stay in KiwiSaver
- initially people stayed in default funds and providers, but now are moving providers and funds
- people who took a "wait and see" attitude towards security, stability and fund performance are now more reassured and joining (or staying in) KiwiSaver
- slightly higher engagement in decisions on contribution levels in response to changes in circumstances, eg, as people receive pay increases they may increase their contribution rate and, if initially contributing higher than the minimum rate, they may then subsequently decrease their contribution rate as they develop other financial goals (whether that be saving for something specific or paying debt).

There is some comment from immigrants to New Zealand that KiwiSaver is encouraging New Zealanders to establish a savings habit. Some employers comment that new migrants are more likely than New Zealand-born employees to take up KiwiSaver membership.

> *I've been here 17 years and New Zealanders don't have a savings habit. Instant gratification. In China you have to save for yourself and look after yourself. Government don't help."*
>
> **Member, full-time employment, Chinese, woman aged 40–49 years, Wellington**

For employers, KiwiSaver was an imposed cost (when first introduced) that was "extra", but it can now be budgeted and planned for and/or recovered.

Administratively there was some time and cost initially, and after any changes to the KiwiSaver scheme. This required working through what was required and incorporating KiwiSaver requirements in payroll and tax compliance processes. Now KiwiSaver requirements are perceived to be fairly straightforward and a negligible administrative cost that is absorbed with other compliance/administrative costs.

Employers who may have offered their employees advice on joining, provider or fund type are now reluctant to do this as they may contravene the Financial Advisers Act.

KiwiSaver providers predict future trends as a need for increasing consumer communication, confidence and engagement. Providers query whether people are currently:

- in default funds (or other funds) which may be inappropriate for their age and risk profile
- lacking confidence to choose providers and funds themselves
- moving from high growth/aggressive funds to more conservative funds too early at key withdrawal points (house purchase or retirement).

In future, providers think people will need:

- further advice about funds and risk (but they note people are reluctant to pay for financial advice)
- greater confidence and improved financial literacy as their fund balances increase (so that they can maximise accumulation)
- decumulation as they reach retirement age (rather than withdrawing lump sums).