Forum: Retirement Policy in an Age of Uncertainty

Some conundrums

University of Auckland, 20 April 2017

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http://www.rprc.auckland.ac.nz
Conundrum 1

NZ has

• Tax neutral savings for retirement
• Tax breaks for housing
Global house prices

Our interactive guide to bricks and mortar across the world

Global house price index
Q1 1980 =100

Economist.com
Conundrum 2

• KiwiSaver is increasingly used for housing

• What then will provide income for retirement?
Should there be withdrawal of KiwiSaver funds for housing?
I don't think feeding it more subsidies is helping!
Conundrum 3

• KiwiSaver has largely replaced other super schemes
• But it is lumpsum only
Median value of private superannuation
By age group, scheme type, and sex
Year ended June 2015

Scheme type and age group

0 50 100 150 200 250

$000

[Bar chart showing median values for KiwiSaver and Non-KiwiSaver by age group and sex]
Conundrum 4

• Long term care can be huge arbitrary cost

• NZ has draconian means test and no insurance
Decumulation

• Largely Ignored
• Rule of thumb drawdowns
• A small private start has been made with the lifetime income product but no generic product

• Is a ‘KiwiSpend’ life annuity needed with a long term care rider?

• Needs government support/provision
Conundrum 5

- The issues around overseas pensions affect over 10% of retired people and will increase

- Topic has been swept under the carpet
Conundrum 6

- NZ Super is proudly an individual entitlement
- The spousal provision remains intact leaving people to fight it on their own
Are the courts the way to go?

• The proceedings regarding the spousal deduction policy are due to be heard in March 2018 in Wellington. A number of steps need to occur before then: the parties need to retrieve and disclose their relevant documents, draft their evidence (and evidence in reply) and draft their legal submissions. We are also constrained by the dates available to the Tribunal, which is under a significant workload.
Conundrum 7

• Gender issues will be at the forefront of the next decades

• Policy is mired in the mid 1970s
Median value of private superannuation in Australia and New Zealand

By scheme type and sex, ABS 2013/14, Stats NZ 2014/15

Note: NZ dollars. People with both NZ scheme types are included in both.
Source: Stats NZ, Australian Bureau of Statistics
And we did not like it.
Not one little bit.
Conundrum 8

• If there is a problem of poverty, inequality and intergenerational equity right now

• Raising the age won't save any money for decades
Distribution of household net worth

By net worth bands
Year ended June 2015

Source: Statistics New Zealand
What will the future hold?

- More people reaching retirement with very little extra
- More facing high accommodation costs
- Higher care costs
- Work opportunities will be very different

Commission for an ageing population?
With the Centre for Applied Research in Economics (CARE) presents

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Open discussion

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