

"The announcement by the Minister of Finance that the Government is *"keen on the introduction of the McLeod Committee, Risk Free Rate of Return proposal"* should be a matter of concern to savers in New Zealand," said Mr Arkinstall, Chief Executive, Investment Savings and Insurance Association.

New Zealand has one of the lowest savings rates in the OECD, largely resulting from an unfriendly taxation regime, lack of clear political direction on the importance of private savings and over a decade of a taxation system that is far from neutral for saving", Mr Arkinstall said.

In a number of speeches and in last years budget the Minister signalled an intention to seek a savings friendly environment but to date there has been no progress. The most recent announcement may close one of the only opportunities for small savers without addressing other more serious issues.

The Minister's announcement that the Risk Free Rate of Return is being contemplated as part of this years budget suggests that the Minister has been seized by revenue priorities rather than addressing the fundamental problems within the NZ taxation system that act against encouraging increased private saving. It should not be lost on private savers that this message comes hot on the heels of Government's announcement that any plans to introduce long awaited encouragement to savers has been deferred due to fiscal pressure.

The issue of long-term private savings ranks amongst the most important issues in this country as we grapple with an ageing population and a low private saving level.

It is true the Government did introduce a 6 cent tax advantage for those at the 39 cent tax rate to save through employer superannuation schemes. The impact of this advantage was regrettably lost in complex legislation and only applies to high-income employees. The opportunity exists for Government to extend this 6 cent advantage to all employees especially to benefit low-income employees who are in most need of assistance. This would be a positive signal particularly as saving by deduction from salary is the most effective means.

The public are seeking certainty and encouragement for saving. Recent announcements suggest that Government may be wavering in its commitment to increasing private savings and encouraging New Zealanders to do so.

Ends

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