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INEVITABLE NZ MUST CONSIDER RETIREMENT AGE CHANGE

“The decision by the Australian Government, announced in its Budget, to increase the retirement age to 67 will come as no surprise to Australians. The prospect of a change has been signalled for some time”, said Vance Arkinstall, CEO of Investment Savings and Insurance Association (“ISF”).

“It is inevitable that New Zealand will need to consider increasing the age of entitlement to NZ Superannuation from age 65. A number of countries have implemented similar changes”, Vance Arkinstall said.

“NZ has similar demographics to Australia. We have an ageing population, people are living longer and healthier lives, we have a more active lifestyle and we are placing greater demand on infrastructure and support services, particularly health services”, Vance Arkinstall said.

“There is already ample evidence that a number of New Zealanders are choosing to continue to work past 65. Also, younger people do not expect the age at which they will become entitled to NZ Super to remain at 65”.

“Financial planning for retirement is a long term process. Any change to the age of entitlement for NZ Super therefore requires long lead-in times to be implemented with minimum disruption. Australia have announced a 15 year lead-in time for their changes. This would be the minimum that could reasonably be expected”, Vance Arkinstall said.

“KiwiSaver has been a great success with over 1 million members enrolling in less than two years. Even though the level of minimum contribution has decreased from 4% to 2% from 1 April 2009, assisting lower income earners to join, there has been no evidence that existing members are reducing their contribution level. This clearly shows that given easy access and the right levels of encouragement New Zealanders do take saving for older age seriously. We need to commence the process of considering if the age of entitlement should follow the Australian example. The earlier we undertake this debate the greater time we will have for planning and implementation”, Vance Arkinstall said.

“As a result of our ageing population the cost of NZ Superannuation is predicted to increase from the current level of 4% to 9% of GDP by 2020. The cost of health services is predicted to increase by similar levels with the effect of an ageing population being a major driver. It is inevitable that Government will need to manage costs of this nature. Increasing the age of entitlement to Government provided retirement benefits is one lever that has been utilised by a number of western countries”, said Vance Arkinstall.

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