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POTENTIAL HUGE BOOST FOR KIWISAVER

“The announcement over the weekend by the Trade Minister, Mr Goff, has significant potential for New Zealand savers”, said Vance Arkinstall, CEO, Investment Savings & Insurance Association.

“The agreement that will allow portability of retirement savings between NZ and Australia will make savings for retirement simpler in the future as the transfer of retirement savings will be permitted when the agreement comes into force in 2009”, said Vance Arkinstall.

“But the biggest boost that will benefit New Zealanders will be the release of Australian compulsory savings for New Zealanders who have worked in Australia since 1992 when employers were required to make compulsory superannuation contributions. For New Zealanders who have returned home those compulsory employer contributions have been held in ‘lost accounts’. The Australian superannuation Minister, Nick Sherry, indicated that of the nearly A\$15 billion held in ‘lost accounts’ and retained in Australia, possibly 20% to 30% might relate to New Zealanders”, said Vance Arkinstall.

“The agreement will mean that where the New Zealand owners of those ‘lost accounts’ can be indentified, then the amounts will be permitted to be transferred across the Tasman into a KiwiSaver account. This could provide a potential inflow of up to \$4 - \$5 billion dollars into KiwiSaver and a huge boost to personal retirement savings for New Zealanders”, Vance Arkinstall said.

Clearly, KiwiSaver with its portability and locked-in design features has been the trigger for opening up this opportunity. However, the efforts of Minister Goff, supported by Officials and the commitment of Senator Nick Sherry in Australia, have been critical in the success of this initiative.

“Details of the process for identification of New Zealanders with Australian Superannuation contributions held in ‘lost accounts’ and the steps to repatriate those funds into KiwiSaver have yet to be finalised”, Mr Arkinstall said.

“Many New Zealanders can look forward to a welcome ‘windfall gain’ from this initiative”.

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