

20 July, 2000

## **GOVERNMENT SENDS A STRONG SIGNAL ON THE NEED FOR PRIVATE SAVINGS**

"The Investment Savings and Insurance Association support the Minister of Finance's recent statement that New Zealanders *should aspire to a retirement income that is better than that offered by New Zealand Super*," said Vance Arkinstall, Chief Executive of the ISI.

The message delivered by Dr Cullen to a Wellington superannuation conference is consistent with the research of ISI. In particular, that the country currently enjoys a window of opportunity in which to establish long term and sustainable savings policies. However, from approximately 2010 the effects of an ageing population begin to emerge and if nothing else is done New Zealand faces 3 stark choices:

- reduce the level of NZ Super;
- introduce tight criteria – eg extend the age of eligibility;
- increase tax rates to cover the cost – this burden will fall largely on our children.

"We are constantly reminded that New Zealand does not have a satisfactory private savings record and for the majority of New Zealanders, relying on New Zealand Superannuation will lead to a lower standard of living in retirement. We also need to accept that New Zealand Superannuation will always be at risk of political change, therefore, the greatest protection of living standards in retirement is to commence our own savings plans to supplement New Zealand Superannuation," Mr Arkinstall said.

"The Minister indicated that plans to facilitate private savings will be introduced later. We are encouraged by this announcement and ISI members are ready to work with the Government in that objective. Superannuation and savings have been the subject of ongoing debate for over 10 years and we need long term policies to encourage savings as a matter of some urgency. If we look across the Tasman, Australia took some hard decisions a number of years ago, they now have private superannuation savings at levels that provide real security to a large portion of their population who see tangible benefits growing," Mr Arkinstall said.

"We can understand the Minister's efforts in wishing to see the funding of New Zealand Superannuation on a more transparent basis but the major gains for individuals will come from a private savings environment that encourages individuals to save. In his address the Minister again signalled that Government will move to encourage New Zealanders to provide for their own retirement needs. This support will be welcomed by all," said Mr Arkinstall.

Ends

Vance Arkinstall  
Chief Executive  
ISI