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ISI CALLS FOR GOVERNMENT ACTION IN WAKE OF PRG REPORT

The Investment Savings and Insurance Association (ISI) wants stronger recommendations and Government action from the findings presented in the latest PRG 2003 report released in late December last year.

The Report, prepared by the Periodic Review Group, is only the second such analysis on retirement savings since the Todd Task Force first identified the looming retirement savings crisis 12 years ago.

ISI Chairman Simon Swanson, says the six yearly report findings highlight the problems facing society's aging population. "It is a critical time for all parties to work with politicians and officials to secure the future of New Zealanders. Government action from this Report is required as further procrastination will only worsen the impact if we continue to simply debate the issue.

"The issues identified by the Todd Task Force back in 1992 are now upon us. We are in the midst of a retirement savings crisis that will only accelerate unless key recommendations in the PRG Report are adopted. We need these to form a platform for a work programme that will initiate change and assist New Zealanders in their old age.

"The industry association is pleased to see that a number of outcomes from the Saving NZ forum hosted by ISI in July 2003 have been adopted in the report. In particular, the removal of existing tax disincentives that act against increased personal savings through managed funds and the importance of workplace savings", said Mr Swanson.

"However there is a distinct absence of action required from the recommendations.

"While it is one thing to recognise that the future situation for those currently under 50 in their retirement will be less secure, there were no concrete solutions offered by the Report for the Government to consider", Mr Swanson said.

The ISI strongly supports several recommendations made in report and calls for the increased frequency of such reviews so that ongoing work programmes can be developed and implemented.

"New Zealanders also need to understand that a married person currently receives \$11,688 (gross per annum) at age 65. This is only intended to provide a basic income, and will require supplementary personal saving if a large percentage of New Zealanders are going to achieve a lifestyle in retirement that meets their needs. We are certain that a clear explanation of this benefit is required to help many New Zealanders realise they must additionally put in place contractual personal savings programmes", Mr Swanson noted.

"The PRG report contains a clear explanation of the demographic transition into an older population age structure that is occurring in NZ. This means more emphasis must be placed on increased personal saving and lower dependence on New Zealand Superannuation as the primary source of income in retirement for the majority of New Zealanders."

"We will be encouraging the need for public debate on the age of entitlement and level of New Zealand Superannuation in the future as we believe this matter is too important to be left to politicians alone. ISI advocates that those currently in retirement and those approaching retirement must be given clear security that their entitlements will be fully protected and cannot be changed. The ISI is committed to working with all parties to ensure guidelines and actions are developed so that the Report's recommendations can be implemented with urgency", Mr Swanson said.

Ends.

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