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## **GOVERNMENT PLANS TO ENCOURAGE SUPERANNUATION WELCOMED**

The Investment Savings & Insurance Association, Chief Executive, Vance Arkinstall, said, the industry welcomed today's announcement by the Minister of Finance, Dr Cullen, which reinforces that long-term savings are important to the Government and New Zealanders.

"The Government announcement provides much needed encouragement for high income earners to contribute to locked-in employer-sponsored superannuation schemes through salary sacrifice arrangements and allows them to benefit from the lower 33 cent tax rate," says Mr Arkinstall.

"Just as important is Dr Cullen's statement that Government intends to address the long standing problem that savers earning less than \$38,000 are taxed at 33% on savings, which is significantly higher than their actual marginal tax rate. This has been a disincentive for low income earners to save which the industry has been pressing to have addressed for some time," said Mr Arkinstall.

"Today's announcement represents a sound balance between encouraging high income earners to save through employer superannuation and protection against abuse of the taxation system. The approach is simple, it will assist to increase genuine superannuation savings by higher income earners without loading additional costs and complexity on employers," said Mr Arkinstall.

"We are pleased that earlier proposals to protect against abuse of the taxation system have not been adopted as they would have resulted in limitations on the level of contributions and would have created additional cost and complexities for those employers providing superannuation to their staff," Mr Arkinstall added.

"Over the years employer-sponsored superannuation has suffered from numerous changes, each leading to cost and complexity on employers. This has contributed in no small part to the decline in the number of employer-sponsored superannuation schemes. The Government's announcement is the first positive sign for many years that employer superannuation is an important avenue for savings which is encouraged by Government," Mr Arkinstall said.

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