

20 October 2013

Thin Gravy in the KiwiSaver Fee Train

The Financial Services Council, which represents leading financial and insurance institutions, says Winston Peter's swipe at fees for managing KiwiSaver funds was way off the mark.

"Current fees for KiwiSaver have been certified as not unreasonable by the Government Actuary and in future by the FMA," FSC CEO, Peter Neilson said. "People who are unhappy with KiwiSaver management fees have a wide choice of over 20 providers who compete vigorously for the business and there will be further scrutiny with fee levels included in the Government's tender criteria for selecting KiwiSaver default fund providers for the next seven years."

Fees are lower than in Australia and are likely to decrease as account balances and Funds Under Management grow," Mr Neilson said, commenting on the New Zealand First leader's claims that "private funds managers were sucking the lifeblood out of KiwiSaver".

"About 2 million people are enrolled in KiwiSaver, but the average KiwiSaver balance is only around \$8,000 which means there are no economies of scale yet to be realised, and like a bank account, it costs as much to manage an \$800 account as it does an \$8,000 account," he said.

Mr Neilson said that the recent low prices paid for KiwiSaver funds management companies indicated that this was not yet a lucrative area of business because of a high account volumes but low balances.

"The number one issue affecting KiwiSavers in getting to a comfortable retirement is the harsh tax regime which favours property investment over savings, followed by the type of funds portfolio chosen. Fees are a very distant third."

The FSC has recently released a plan of options for consideration by politicians as the basis for a new cross party agreement on retirement incomes that seeks to enable New Zealanders to retire on double NZ Super – the annual income consumers told independent researchers they needed.

How to double retirement incomes

- keep NZ Super and the link to wages as is
- gradually increase Kiwi Saver contributions by 1% p.a. to 7%
- move default KiwiSavings into higher earning, life stage appropriate funds
- offset additional risk with insurance or a capital guarantee
- level the tax playing field for KiwiSaver funds, paid for by re-targeting KiwiSaver incentives to fund lower tax rates

For further information contact:

Peter Neilson, CEO, Financial Services Council (FSC)

Tel: 021 395 891

Email: peter.neilson@fsc.org.nz