

# Financial Services Council

"Universal Savings Plan"

Qualitative report

*"They have to do something."*<sup>1</sup>

June 2013

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## Approach

Horizon Research asked about 800 panel members to undertake a short survey.

From this, a list of names and contact details was provided to Tasman in order to recruit 33 people for the interviews - 23 employees and 10 employers.

We wanted to talk to two main groups of people:

1. Employees on below-average incomes, who found it hard to save, were not enrolled with KiwiSaver but weren't strongly opposed to the idea of a compulsory savings scheme
2. Employers who said their business was finding it "tight" at the moment, and weren't strongly opposed to the idea of a compulsory savings scheme

We also talked to a smaller third group, consisting of employees who were in KiwiSaver to see if there were any major issues we had overlooked.

A copy of the recruitment questionnaire is included as an appendix.

Each interview was about 30 minutes long, and most were conducted by telephone. All were electronically recorded, and relevant and interesting "snippets" are available.

A copy of the discussion guide is also included as an appendix.

A \$50 "thank you" was provided to people for their time. Most people seemed to really appreciate this - some even said it wasn't necessary (but we paid them anyway) - and it was probably an appropriate amount.

The interviews took place between Tuesday 7 June and Tuesday 9 July 2013.

## Objectives

The objectives for the wider project (including a quantitative study and potentially further qualitative work) are to understand:

1. The way people talk about savings and retirement, and the language they use
2. What people thought about savings, what they save for and what stops them saving
3. How much they've thought about retirement, their feelings about it, and whether they think they could survive on NZ Superannuation alone
4. Their thoughts on the changing retired-to-working-age ratio, and the increasing life expectancy of people
5. What people think should be done about superannuation and retirement, both now and in the future
6. Knowledge and opinions of KiwiSaver
7. Impressions of the proposed Universal Savings Plan (USP) - the good points, the bad points, and what changes they would make to it if they could
8. How (if at all) the USP would influence their vote at a general election

## Details of the Universal Savings Plan

The term Universal Savings Plan (USP) was used to discuss the features of the proposed KiwiSaver Plus scheme outlined in "Pensions for the 21st Century" published by the Financial Services Council.

The USP was described to people as containing the following key points:

- Compulsory for all employees and employers
- 5% each from the employee and their employer, totalling 10% eventually (see below)
- A 10 year period to slowly bring it in, at the rate of 1% a year, split between the employee and employer. For most people this would be an increase each year of about \$4 or \$5 a week - a bit more than a cup of coffee each week
- Any wage increase you would have received in the hand would be reduced by the increase in USP contributions going into your KiwiSaver retirement account
- Top-ups for people whose KiwiSaver retirement account does not grow sufficiently to purchase a second pension equivalent to NZ Superannuation over the course of their lifetime (mainly people who take time out for families, and very low income earners)
- Very low income earners (about \$25k or less) are exempt
- A capital guarantee on KiwiSaver contributions, though there would be a cost to this
- No changes to NZ Super for those in or close to retirement
- If you delay retirement past 65, the money you get once you do retire would be greater
- Some limited facility to get some money out early, one of either the deposit to a first home, or a business, or for your education (student loans) but most people would leave most of the money there until they retire
- If you die, your family gets the money left in your KiwiSaver account (or the remaining payments of your fixed term pension)
- Private providers (as opposed to the government, although we explained that someone could still choose KiwiBank as a provider - which is government owned)
- No lump sum at 65, except for any surplus above the amount required to purchase your second pension worth the value of NZ Superannuation paid on top of NZ Superannuation paid by the government.

## Summary

There was generally a positive response to the Universal Savings Plan (USP), with most people rating it about a seven-out-of-ten. (Bear in mind this was only people who were not either firmly opposed nor strong supporters of the USP.)

The lowest was one person who said "four or five", but she raised her score to a "seven" once she learned about the Australian scheme. There were a few "eights" and even a "ten". Most people raised their initial score by a point or two once it was explained further.

### **Positive aspects**

- **Australian comparison.** This is a powerful tool in convincing people about the USP. The main four points that affect people are the 6% / 9% / 12%, the employer-only part, 21 years of experience in Australia, and - best of all - 1.3 trillion dollars in Australian superannuation funds.
- **Capital guarantee.** This was very well received. It would be preferably undertaken by the government (similar to the Retail Deposit Guarantee Scheme) rather than private organisations.
- **"Drip feeding".** This is how we explained to people about buying a pension or annuity from their KiwiSaver balance at retirement. Most seemed to be comfortable with it, and understood the risks involved in people taking the entire amount.
- **"Lump sum".** This is the amount over-and-above the minimum amount required for retirement. Most people had no problems with this amount being used as a lump sum for anything the owner desired, including overseas trips or yachts.
- **Retiring later.** A significant group of people expected to work past 65 (whether they wanted to or not). Some of the employers were already over 65 and still working. This group of people appreciated the extra they would get by retiring later.
- **Use for first home deposit.** A big drawcard and one that should be key in communicating the USP.

### **Not an issue for most people**

- **"Top-ups".** Most people were comfortable with the idea that people who didn't earn enough over the course of their working life would

be "topped-up" when they retired. However, there is definitely a group against this.

- **Exemption for low incomes.** Related to "top-ups", most people didn't focus on this aspect of the USP. However, some did and thought that even people on a benefit should contribute. Their thinking was that either they contribute now (even if the government did it on their behalf) or they get "free money" later.
- **Ten-year phase-in period** was not an issue for anyone. There are no concerns here. No-one said this was too short a period.
- **Use for own education.** Most people were comfortable with the idea of someone using their own USP funds to pay for their own education. Where there is more debate is in paying for someone else's education. There is a group of people whose retirement plans include their children, and this group would be more favourable to the USP if they could pay for their children's education with their own funds.

### **Issue for some people**

- **Mortgages.** Some people who have mortgages pointed out that it was better to pay off the mortgage than save for retirement. Some of the employers (who had high incomes) had no savings as they were acquiring and paying off assets. This has a potential to disrupt the acceptance of the USP.
- **Use for business deposit.** Not quite as well received as the use for first home, and some people were opposed on the grounds that many businesses fail.
- **Accessing the money earlier than 65.** While most people seemed to understand and accept why it would be unusual to withdraw some of the money before 65, there were others who weren't in KiwiSaver for exactly this reason. There would be interest in a "rainy day account" (probably paid for via insurance) that could be accessed under more liberal conditions than KiwiSaver currently has for hardship (unemployment, redundancy, for example)
- **Retiring before 65.** Only one person mentioned this, but with the USP there is the potential to retire before 65 - especially for high-income earners. It may be worth communicating that people can retire whenever they want; not just at or after 65. It is unlikely anyone would be opposed to this.

### **Risk to acceptance of the USP**

- **Erosion of standard of living.** This is probably the biggest risk to the USP and one that people are well-aware of. This suggests more explanation is needed that the USP pension (like NZ Superannuation) increases with wages so it should maintain the standard of living.
- **Investments structure.** Some people baulked at the idea of having private companies manage the money. Some wanted options to invest in "core services" (such as banks, petrol stations, water, power) which would provide a more secure return and allow them to invest in New Zealand. Definitely an option worth exploring further.
- **Employer / employee split.** Most felt the even split wasn't too bad, but there are a group of employers who question why they should have to put in anything, and would oppose the USP (at least philosophically) on those grounds.
- **Fund management costs.** Some people didn't see retirement funds as return-effective, or safe. There is a lot of scepticism about this and it is another key risk.

### **Ideas worth exploring further**

- **Split contributions between partners.** This could remove some of the need for top-ups, as well as any imbalance in the earnings of partners. There doesn't seem to be a major down-side to this idea, and there don't seem to be too many people opposed to it.
- **Matrimonial accounts.** Similar to splitting income between partners, one person suggested matrimonial accounts. His main reason was that larger accounts earn better interest, and if partners split then it can just be treated as relationship property. (In law it already is.) Probably not as popular as splitting contributions.
- **Education options.** As mentioned previously, there is a group of people whose retirement plans include their children supporting them, and this group would be more favourable to the USP if they could pay for their children's education with their own funds. There is also a group opposed to this idea.
- **Business expansion.** This is another idea that differs from the USP. In addition to (instead of?) using it to buy a business, part of the USP fund could be used to expand the business. The amount would be similar to that used to buy a first home, say \$50k or so. Again there is a group opposed to this idea but it certainly appeals to people who already own a home and a business.

## Conclusions

The USP is generally well received with the two main groups we talked to. While some have various objections, nothing is insurmountable.

A more palatable USP would include:

- A optional "rainy day account" (paid for via insurance) that people could use under more liberal conditions than KiwiSaver. For example redundancy or recovering from surgery - something KiwiSaver does not currently cover
- A capital guarantee (by the government - not a private insurer - paid for via insurance or something similar to the recent RDGS)
- Choice around when someone retires, rather than focusing on 65. A significant proportion of people expect to work past 65
- Splitting contributions to the USP between partners (or possibly creating matrimonial accounts). People generally recognise this as fair, and it removes some of the reason for "top-ups"
- No need for top-ups, as everyone would be making some contribution - even those on a government benefit

Communicating the USP should focus on the above features, as well as:

- This is what other countries have done, concentrating especially on Australia and their example
- No money has been lost by any KiwiSaver providers
- Saving is hard, but help is available. (Stay away from the "you must save!" sentiment - be positive not negative)
- The changes in the working-age-to-retired ratio means something must happen. Not burdening future generations is probably a powerful argument
- Ten year phase in, 5% / 5% split and - for employers - that it's future wage increases that will pay for this
- Use of the funds for education

## Future quantitative research

The following issues are suggested for measurement in subsequent quantitative research.

- General attitudes and barriers (perceived and real) to savings
- Level and type of preparation for retirement, as well as feelings towards it
- Level of knowledge and concern about the changing working-age-to-retired ratio
- Ideas to solve the problem of retirement (if any)
- General response to the USP
- Response to specific elements of the USP, including:
  - 10% overall level
  - 5% / 5% employee / employer split
  - Erosion of standard of living
  - Retiring at any age (generally later) and the benefits (or costs) of that
  - Lump sum vs "drip fed" pension
  - Capital guarantee, and how this might work
  - Exemptions for low income earners
  - "Top-ups" for low lifetime earners
  - Split contributions and matrimonial accounts
  - Use for first home deposit
  - Use for education (including children)
  - Use for business (including expansion)
  - Mortgage offsets / exemptions
- Level of influence in voting in a general election

## The people we interviewed

(The employers are highlighted in yellow throughout this report.)

1. Female, 50ish, Christchurch, single, NZer of European descent, low income (low wages and part-time), high school education, doesn't save at all and not part of KiwiSaver. She feels guilty about not being able to save for retirement, and thinks KiwiSaver is a good idea. She encouraged her daughter to join KiwiSaver as soon as she started work. Thinks the USP is a good idea, but would find it really tough on her budget.
2. Male, 50ish, Hamilton, married with children at home, NZer of European descent, household income just over \$30k (\$550 take home per week), part of KiwiSaver but on lowest level and doesn't want to increase it. He finds it hard to save, and uses any spare cash to pay off the mortgage. Thinks the USP is okay, but would struggle to put extra money into it, and in any case would prefer to put it into the mortgage.
3. Female, late 30s, Auckland's North Shore, sole parent with one young child, household income about \$35k (mostly benefit, but some paid employment as well), NZer of European descent. Part of KiwiSaver but would like to leave it, manages to save and uses it to pay cash for larger items rather than using credit. Doesn't like the compulsory aspect of the USP, nor the fact that the employers would be required to put it in. Found the Australian example quite compelling.
4. Female, 70ish, rural North Auckland, married, owns two businesses and a farm, NZer of European descent, not part of KiwiSaver, doesn't save due to low income - her businesses made a loss last year for first time ever. Thinks KiwiSaver is a good idea. Rates the USP two out of ten because of the top-up. Thinks it should not be there. Rates it eight, otherwise. Likes the capital guarantee. Is very keen to increase the age of eligibility in stages.
5. Male, 40ish, urban North Auckland, married, kids at home. NZer of European descent, \$80k household income, has a mortgage, saves a few thousand each year. Not in KiwiSaver, but only because he has another government scheme that is very similar. Like the USP, but would rather pay off the mortgage than save (and he sees the mortgage as retirement savings anyway).
6. Male, 60ish, Auckland, married, no kids at home, NZer of European descent. Wife is main income earner (he's a self-employed writer) and they have a small mortgage. He's in KiwiSaver but the

contributions are a bit intermittent. Likes the USP, but would prefer the funds be publicly controlled rather than privately. Says that once he and his wife downsize their house, he could probably live on NZ Superannuation as it is now.

7. Male, 60ish, NZ European, south Auckland, earns about \$60k, mortgage but two houses in NZ and some superannuation in Australia. Works in Australia a bit, but plans to retire in NZ and sees selling one of the houses in NZ as his retirement fund. Very positive towards the USP (8) but it wouldn't change the way he voted. Said he could almost live on NZ Superannuation by itself.
8. Male, 45ish, Maori / NZ European, builder, Auckland's North Shore. Married, kids at home. Household income varies greatly, but certainly between \$30k and \$100k. Finds saving "impossible" and says they're "going backwards". Not in KiwiSaver, partly because he's self-employed, but partly because he sees the mortgage as a higher priority, and they have some fledgling businesses they're trying to get off the ground. Rates the USP highly. Says it's "got to happen" even though it will hurt him. Wants a 100% guarantee on the capital AND interest.
9. Male, early 20s, NZ European, Hamilton, de facto, no children, part-time worker and student, household income about \$40k. Tries to save a bit, but not for anything specifically. Part of KiwiSaver and likes it. Likes the USP (7), and if you could make limited withdrawals for an extended list of reasons would give it an 8 or 9.
10. Female, 40ish, Maori, Hutt, married, one child. Full time employee in clerical role. Household income about \$80k. Tries to save but isn't too successful. Is in KiwiSaver (3%) and is quite favourable towards the USP, describing it as "a little bit overdue". Her main concern would be any lack of increase in wages, resulting in a drop in her family's standard of living.
11. Female, 30s, NZ European, Hamilton, working part-time, two children at home, household income about \$60k. Can't save much if anything. Is in KiwiSaver. Realises there is an impending issue with superannuation but has no idea what to do about it. Says the USP makes sense, and likes it, and fully understands that the government can't keep paying for people's retirement.
12. Female, 50ish, NZ European, Invercargill, single, working with two older kids at home, \$40k income. Says her attitude to savings is better than her attempts, and is saving for a house. Could probably live on NZ superannuation if she owned a house mortgage-free when she retired. Says the USP has "more positives

and negatives" but is concerned about the erosion of her standard of living as the scheme slowly came in.

13. Female, 45ish, NZ European, Hutt, married, four kids at home (8- to 15-y-o). Working almost full time, household income about \$80k. Not part of KiwiSaver. Doesn't like her savings to be tied up, especially if there is major illness or loss of job. Is lukewarm towards the USP, but rates it 9-out-of-10 with two additions: no pay rise for the individual means no increase in the percentage contribution, and loss of employment means the person can draw on the savings.
14. Female, early 20s, NZ European, Nelson. Not part of KiwiSaver and finds it hard to save at the moment. Spontaneously suggested 5% compulsory savings, and also raising the retirement age to 70. Thinks the element in the USP that allows you to repay student loans is great, and appreciates why the drip-feeding back after retirement is good and necessary.
15. Female, 64, NZ European/Maori, employer, Auckland's North Shore. Single, two adult kids at home. Sees the retirement squeeze as "frightening" and would push the age of eligibility up. Part of KiwiSaver herself, but doesn't understand really it and just gives her new employees the IRD brochure. Think the USP is "fantastic" from an employee point of view, but isn't so sure from an employer's perspective. Worries about staff morale if she put the bulk of their future pay increases into the USP.
16. Female, 50ish, Maori, Auckland/Gisborne, married, main income earner, non-KiwiSaver, household income about \$60k, mortgage paid off but little other savings. Is planning to live with children when retired, and in return they'd get the inheritance. Feels her and her husband could "survive" on NZ Superannuation. Likes the idea of the USP, and with some minor changes would rate it 9 out of 10. Particularly likes the idea of splitting the contributions while one partner is working and the other isn't.
17. Male, 40ish, Indian, Auckland (inner west), single, wouldn't give his income but he's employed with an insurance company so probably around \$70k or so. Not in KiwiSaver as he likes to manage his own savings (of which there are none!) Rated the USP fairly positively (he wouldn't give a number). He liked the fact the money would be in his name, and that he could manage it. Appreciates why the money would be drip-fed back to him, as well as being able to take a lump sum over and above the minimum required for retirement.

18. Male, 70ish, NZ European, employer in a West Auckland business, about ten staff, all on KiwiSaver except one. Says he has plenty of savings to avoid needing superannuation. Feels the retirement age should be increased but is a little conflicted about it. Likes the USP (rating it 8 out of 10) but says the target needs to be continually adjusted for inflation, and is a little concerned about how employees might not see it as part of their overall remuneration, which means it is effectively an extra cost for the business.
19. Male, Pasifika, early 30s, married, two young kids, household income of \$80k, south Auckland. Recently returned to NZ after 25 years away (hence American accent). Has some American retirement investments (IRA and/or Roth IRA, 401K) but not KiwiSaver as yet. Positive about USP. Likes the drip-fed idea, and also use for business and education. Has concerns around increases in costs to businesses, but says the ten-year phase-in period is "perfect". Says it would seriously influence his vote.
20. Female, Pasifika, 30ish, central Auckland (inner east), not in KiwiSaver, earns about \$40k. Has a partner but appears to live with her mother. No children. Says she's just living pay to pay, and hasn't given any thought to retirement. Wasn't particularly thrilled with the USP (5 out of 10) - says it was "interesting" but that she'd "fight it all the way". (So she could divorce the idea from her own situation, to some degree.) After further discussion, she felt that as long as the money was definitely in her name, and the scheme kicked off when we started getting pay rises, she would be more comfortable with it.
21. Female, Pasifika, mid-30s, married, two young kids, main income earner (\$60k), west Auckland but works in Albany. Used to save a "aggressively" (for overseas holidays) but has now bought a house. Her parents have a very successful business, and she expects a substantial inheritance. Combine that with the fact that her mortgage will be paid off well before her own retirement, so she's pretty relaxed about turning 65. Rates the USP a 10 (the only one to do so). Calls herself a "complete socialist" and says that "we are our brother's keeper".
22. Female, 50ish, NZ European, Timaru, non-KiwiSaver, \$40k household income, single (separated) and two teenage children at home. Finds it very hard to save, and is looking at KiwiSaver. (Which she says is a "jolly good idea".) Feels "nervous" about retirement. Think NZ Superannuation might be enough to live on, but things would be "pretty tight". Rates the USP 8 out of 10, and says it sounds very promising. Likes the insurance idea. Isn't sure

of being able to use the money for a business, but if it was a relatively small proportion of the account, would be okay with it.

23. Female, 58, employer in a fast-food retail business, NZ European, Rotorua, married and no kids at home, household income of under \$50k. Doesn't think that NZ Superannuation for young people will be enough, and they will have to save. May be able to live on superannuation if they can save a bit more in the next few years. Likes KiwiSaver and would make it compulsory. Doesn't have any real issues with USP, though might tweak it to 6% employee, 4% employer. Says the USP would affect her vote, though maybe not the top few issues.
24. Male, 60ish, employer, art gallery, Tauranga, NZ European, married, no kids at home, household income of under \$50k. Pretty relaxed about retirement and says he and his wife have already started dropping their expenses in preparation for retirement. Like the USP and has no problems with it being compulsory. Wonders about how self-employed people or contractors would fare. Can see the USP replacing NZ Superannuation entirely.
25. Male, 44, employer, accounting firm, NZ European, Dunedin, household income \$130k, married, two kids at home. Likes KiwiSaver and encourages his clients to get into it. Fairly positive about the USP, with no real sticking points. Likes the "drip fed" idea (and taking the balance as a lump sum), and also raised some issues around how it would be taxed.
26. Male, 50ish, employer, financial services to property developers, NZ European, East Auckland, married, some kids at home but working. Says he is "abysmal" at savings, but uses debt (and repayment) and asset creation to increase his wealth. Plan is to sell some assets (properties) to fund retirement. Likes KiwiSaver, and he and his family are all in it. Main objection to the USP is around mortgage offsets. He says it's "pointless" to be saving when you have a mortgage. Other than that, rates USP 8.5 out of 10.
27. Male, 69, European ex-UK, employer with an engraving business, no plans to retire in the short-term, Dunedin, married, no kids at home, household income over \$100k. Likes KiwiSaver but not hugely. Feels there should be more transparency around fees and what managers are doing. Doesn't like the idea of a "drip feed". Seems very keen on the funds being used to invest in NZ, in what he calls "core services", like banks, power companies and so on

28. Male, late 40s, NZ European, employer with a signage business, Kerikeri, household income about \$60k, married with three kids at home. Is opposed to any sort of employer contribution and finds the argument that future wage increases can pay for it (thus making it neutral to the employer) "naive". Supports the USP but only out of necessity - he is actually philosophically opposed to it.
29. Male, late 50s, NZ European, employer with financial advice business, Dunedin, household income over \$150k, married with two older kids at home. Definitely someone highly educated in this area. Is a little sceptical someone could save enough for a pension/annuity and would need to see the numbers. Think KiwiSaver is a good idea, and thinks the same of the USP.
30. Male, 50s, NZ Indian, employer with a manufacturing business, Hutt, household income about \$80k, married with two kids at home. Doesn't save but sees accumulating assets (buildings, businesses) and paying of debt as his retirement plan. Is reasonably positive towards the USP and sees how it could be cost neutral to him. The reduction in increase in wages he doesn't see as being a "big hurdle".
31. Female, 40s, NZ European, single, teacher, has a mortgage, not in KiwiSaver, central Auckland. Sees her mortgage as saving for her retirement, doesn't "want to think about retirement". Was pleasantly surprised that NZ superannuation was the level it was, but still thought it would be very hard to live on. Quite positive about the USP (8), especially the top-ups and the guarantee. Would still prefer to be excluded from it, though.
32. Male, early 20s, NZ European, single (living at home), not in KiwiSaver, Kaikohe, income about \$30k. Only rates the USP 5, as he wants to manage his own money. That said, he thinks it's a good idea to save, but he is opposed to being forced, and wants more flexibility in accessing his money.
33. Male, 40s, NZ European, central Auckland, \$60k, single, IT, in some debt and has done no planning for retirement. Doesn't save (trying to reduce debt) and was reasonably positive towards the USP. Realises that if no-one makes him save, he won't save. Not in KiwiSaver (procrastination).

## Savings

### General attitude

Everyone wants to save. It's a universal desire. But a lot of people either (say they) can't afford it, or choose to save in non-traditional ways.

You don't need to convince people that they should save, and you shouldn't tell people they must save, you need to convince people that they can save.

*"I think it's a very good thing - in fact you do need it - for a rainy day or emergencies, but I know it's very difficult when you live week to week to be able to save. The ongoing costs that are rising up."*<sup>1</sup>

*"I would really love to [save] it's just that every time we get more than two dollars together something happens that requires it. I'm in a socio-economic group that isn't destined to save because there's so much outgoing all the time. We're buying our own home, and that's the first and foremost thing with us, and any spare cash has got to go towards that. I would love to save but it's just not happening."*<sup>2</sup>

*"I think it's very important... Very important... It's not much, but I always try to put something away. An emergency fund and I also save for larger items... a laptop or something that's over \$500 or \$1000. I'd try to save for that rather than putting it on credit."*<sup>3</sup>

*"It's a fantastic idea when you can afford it... It's a safety net. Or luxuries... Funds put aside so that if you see something that you'd like but it's not a necessity."*<sup>4</sup>

*"I try and save as much as I can. I think it's a good thing. I've always saving to try and pay off the mortgage... It's lumpy... some months you don't save anything and other months you save quite a bit. It just depends on time of the year, birthday expenses, that kind of thing."*<sup>5</sup>

*"I think savings are a very good idea... The main issue for me is that I'm approaching retirement age, and I'm not very well provisioned for that."*<sup>6</sup>

*"I was brought up in the old times, when it was a good idea to have plenty of money in a bank account, and if you were after anything you saved up and purchased it. Short of a mortgage. That's the way mum and dad brought me up. Unfortunately things don't work like that nowadays. And my kids find it too easy to get themselves in [trouble]... They're buying a lot more quicker than they ought to do."*<sup>7</sup>

*"Impossible. It really is impossible [to save]."*<sup>8</sup>

*"I try to put away as much as I can, [while] leaving me able to pay the bills each week. Pretty much that's all I can do. I save whenever I can, but most of the time at the moment I can't really save too much."*<sup>9</sup>

*"It's certainly up there in terms of a priority. It's something I've tried to push for my son to be quite conscious about. I'm trying to teach him how to regularly save, and it's something that we try to do as well."*<sup>10</sup>

*"I would like to if I had enough money to! At the moment we have no spare income for saving... A new car for the husband, renovations on the house, paying off the mortgage - that sort of thing. Maybe a holiday, one day."*<sup>11</sup>

*"My attitude is much better than my attempt. As in, I should do it lots more than I do."*<sup>12</sup>

*"I think it's really important, but you either can afford to or you can't. I think it's very important to have something for the future."*<sup>13</sup>

*"I'm just getting back into work now, but I really like saving and having something in the bank."*<sup>14</sup>

*"I think we should be saving more, but the reality for me is that I don't. When I've been able to save in the past, it's been for a trip or furniture for the house or something like that."*<sup>15</sup>

*"It's nice but for me - with my personal situation - it's just not going to happen.... Long term?... I'm saving for a garage at the moment. My daughter turns 21 soon."*<sup>16</sup>

*"I wish I could - or I wish I would. How's that for an answer?!... I guess I just don't make enough of an effort."*<sup>17</sup>

*"I like to feel that I've got sufficient of my own funds to look after me when I do come around to retire without having to worry about hand-outs from the government."*<sup>18</sup>

*"Definitely a good idea... The year of government dependency has come and gone now. With baby boomers and this generation x and y exploding with kids... savings is definitely the way to go. Even if the government is going to force you into it."*<sup>19</sup>

*"Good for the long-term. I believe everyone should be doing it."*<sup>20</sup>

*"It would nice to have, but you can always spend. I would like to have it, but I often don't."*<sup>21</sup>

*"It should be done. Yeah. It should be done... Mainly food and clothing for the children. I know that's not exciting, is it?"*<sup>22</sup>

*"I don't believe that for a younger person in particular that national superannuation is going to be enough for the long term, and so if you want a comfortable life in retirement, you're going to have to save."*<sup>23</sup>

*"Pretty positive. I always endeavour to... Traditionally [we don't save] for any fixed purpose. I've never tended to operate that way. But as it happens, at this particular time we're saving towards building a house."*<sup>24</sup>

*"I'm for savings... Retirement is probably the big one. Or luxury items... [like] an overseas holiday."*<sup>25</sup>

*"I would have to say [our] attitude towards savings is probably abysmal. Working in finance I'm totally comfortable with debt, and leveraging, and making money work in that manner rather than actual savings. But in saying that, we have got KiwiSaver for the family. Both for myself, the wife and the kids."*<sup>26</sup>

*"It's a necessary part of life... We save for major purchases. We have investments, primarily property... I do see that as savings."*<sup>27</sup>

*"I think it's important. We all have to do it... Most of my savings are investment into my small businesses."*<sup>28</sup>

*"I approve of savings... Save as required. For long-term. For retirement."*<sup>29</sup>

*"General attitude positive and it's got to be done. I don't think society will survive without it. Yes I can save a reasonable amount...Nothing in particular. It's just for a rainy day. Untoward expenses if I ever need it."*<sup>30</sup>

*"That is quite a hard question really. My attitude towards savings, when I have spare money I like to save. But when I don't have spare money then obviously I can't. I like to have savings in the bank. [What for] Travel, to do things on my house and lately study. [re mortgage] Absolutely that is my retirement savings."*<sup>31</sup>

*"At the moment I live with my parents. I have quite a large chunk of my income going into savings. I'm saving for a holiday next year."*<sup>32</sup>

*"Savings would be something I'd really like to do. But I have not achieved it in the last 15 odd years. I think it's something that's important for my old age because probably in the next twenty odd years I will need to retire. Or at least slow down and won't have the same earning capacity."*<sup>33</sup>

## Reasons it's hard to save

Many people who don't save, think they can't save. Whether it's true or not, it's their perception - and one that is hard to challenge.

One of the risks to the USP is opposition from people who feel they need the money now, rather than 20, 30, 40 years in the future. This is true for the minor (an unexpected dentist bill) to the major (20 years paying off a mortgage).

Probably the best way around this is to focus on the future wage increases and show that it's not going to reduce the amount in their pay packet.

*"I basically live week to week... [It's hard] especially when you're part-time, as well. It's even more of a struggle. Especially the lower income [earners] now, I find that you don't get a general pay rise... Everyone should get a [pay rise] to keep up with the economy... It's hard to keep up with inflation."*<sup>1</sup>

*"The money goes towards [the mortgage]... My other main situation is that I travel outside the town every day and that eats into the financial budget quite a bit for gas... Bad things happen and you never know when you're going to need a new clutch or something like that."*<sup>2</sup>

*"If there's an extra cost like maybe going to the dentist or something. The money would go to that instead. Diverting what I'd normally be saving to something else. They're usually one-off sorts of things."*<sup>3</sup>

*"Low income!"*<sup>4</sup>

*"[There are] a few birthdays in the family that are all concentrated in one part of the year, so that tends to be quite expensive... I tend to have my car expenses at one or two particular times of the year... The start of the year is always tough because of school starting and all the fees and that sort of thing... You get those one-off expenses."*<sup>5</sup>

*"Earnings are low. I'm self-employed and well, you know... I'm a writer. I get commissioned to write business histories, family histories, accounts of ventures."*<sup>6</sup>

*"At the present time, no I can't [save]. The reason for that being next Wednesday I will lose my job. I've known about this for a long time... Everything I've done was savings. I purchased my first house [by] saving a third deposit... Bought my second house, and I've got a second mortgage on that. If I wanted a new TV... I put money away... no beer... and then I'd have a new TV."*<sup>7</sup>

*"Over the last 5 or 6 years our workload has dropped off considerably and we are just treading water. We're actually going backwards. Deeper in debt as we go, just to pay for everything we have to pay for in life in general."*<sup>8</sup>

*"At the moment I'm a student, so I've got a student allowance and I work casually, so I basically live week to week, pretty much."*<sup>9</sup>

*"I guess it boils down to poor financial management, ultimately. Maybe some not-so-wise financial decisions, which may have led to a lack of savings... I guess I would say more impulse buying."*<sup>10</sup>

*"At the moment we have no spare income for saving, but once I can get some more work coming in, there will be spare income and then we'll be able to start saving again."*<sup>11</sup>

*"At the moment I'd put that down to lack of income."*<sup>12</sup>

*"I'm putting away so much each week, but at the end of the day - and it's in a savings account - but... I can draw on it if I need to. So even though it's a savings account if I really do need it, I will use it... Extra things come up, that we haven't expected."*<sup>13</sup>

*"[I can't save] as much as I used to... My expenses have gone up."*<sup>14</sup>

*"Family circumstances. I have an adult child who returned to the roost... and my son has issues with alcohol and drugs, so sometimes he works and sometimes he doesn't... He arrived home with a huge debt which I've taken on."*<sup>15</sup>

*"Every time you get a bundle... something always arises. As much as we try to budget, it's those one-off expenses that come up."*<sup>16</sup>

*"I make much more than the average wage, but expense-wise it's just enough to meet the bills. So it's a bit of both [earning too little and spending too much] really. I don't make enough to meet my spending. To meet my expenses, my commitments."*<sup>17</sup>

*"I mainly save for retirement. I should have retired years ago... I suppose it's part of the reason I keep working... But I feel an obligation to the staff to keep the place going."*<sup>18</sup>

*"Not as much as I'd like, that's for sure... Me being Samoan, somebody either dies or has a birthday or gets married every three months. So it's about making sure that I have money to contribute to that."*<sup>19</sup>

*"Most times I can [save]. But usually after all the other bills and things like that, I can't save as much as I would like to. But I can save just a little bit... Usually it's mainly [holidays] and things like that."*<sup>20</sup>

*"Now we've had a couple of kids and settled down and bought a house, and so pretty-much all of our money goes towards the house or doing up the house up." <sup>21</sup>*

*"Finances. I've got two children, I've only just started fulltime work... With no support from their father. That's why I'm looking at KiwiSaver now." <sup>22</sup>*

*"I've saved in the past, but we've had some ups and downs financially. we lost... some money there. At the moment we have a house which is security for our business loans. If we're careful and a bit lucky, we'll have [some more] saved by the time I'm 65." <sup>23</sup>*

*"Debt, and the servicing the debt is, I suppose, really the issue... On a personal front, once the money hits the joint account it tends to get frittered away." <sup>25</sup>*

*"We reduce the debt. Debt reduction. We operate a flexible facility... You're better off to pay money off the mortgage than have it sitting in an account and paying tax on interest that's well below mortgage rates." <sup>26</sup>*

*"The Christchurch earthquakes have damaged the business. Increases in electricity prices, oil, have decreased our discretionary spending. Which includes savings, of course." <sup>27</sup>*

*"I think it's incredibly difficult for people to do it as they feel they don't have enough for day to day let alone long term saving. There is an attitudinal problem in NZ. Most of my savings are investment into my small businesses and recently it has been very hard because of the economic pressures." <sup>28</sup>*

*"There's never enough money and that's always been the case. It's the human condition, I think." <sup>29</sup>*

*"We are a small business here. So my income is totally dependent on the turnover of the business. I only employ two staff. We do have times of quiet periods. I've still got expenses that I must make to my creditors. And therefore we've got to channel funds towards it. That is my priority to pay my creditors." <sup>30</sup>*

*"But when I don't have spare money then obviously I can't." <sup>31</sup>*

*"My income's been below what I'd anticipated in the last probably ten years. I had a track in mind for what I wanted it to be but I've not really achieved that. The income was below what I had previously been used to and because I didn't change my life style. I spent all the money." <sup>33</sup>*

## Retirement

### General thoughts

For some, retirement is not part of their day-to-day thinking. It's something they may be slightly anxious about, but it's a long way off.

For others, it is a stressful and scary issue, one that worries them a lot.

There are generally four groups of people in this regard:

1. Thinks about retirement a lot, and is relaxed or even excited by it

*"Look, I'm pretty relaxed about [retirement] to be honest. I don't know if it's symptomatic of people in my age bracket, but I look at my parents who have done very well for themselves... and eventually they're going to die and we're going to inherit a lot of that. So on top of whatever I've got, I do see some money coming from them."*<sup>21</sup>

2. Thinks about retirement a lot, but is stressed and anxious about it

*"I feel guilty. I give it lots of thought. I have anxiety attacks about it. Worried... I know the mortgage will be paid by retirement, but then there's always the general upkeep of the house as well. Yeah, it does scare me an awful lot. Especially when you're on your own."*<sup>1</sup>

3. Doesn't think about retirement much (if at all) because it's nothing to worry about

*"Not a great deal [of thought] but conscious of the impact of retirement, ultimately... Pretty relaxed about it. Primarily because... we've in part already made an adjustment in terms of what our expected income might be come retirement."*<sup>24</sup>

4. Doesn't think about retirement much (if at all) because it's a scary prospect

*"I'm currently registered with KiwiSaver [and] I'm paying the minimum and I've only just started it, pretty much. I'd like to increase that if I ever get to the point where I can... [Retirement] is one of those things you tend to push to the back of your mind 'cause you don't really want to think about it."*<sup>2</sup>

Most of the following comments and can be categorised into those four groups on the previous page.

*"I think it's important if you can afford to [save for retirement], but I can't really afford to at the moment. But I have got a KiwiSaver account. So that's got some money in it... It is actually increasing so that's a surprise!"<sup>3</sup>*

*"Whether I want to retire or whether I will retire?... I haven't got any plans to retire - ever... I work for myself in our businesses and on our farm."<sup>4</sup>*

*"I have a state-sector retirement saving scheme which I put money into every payday... and obviously my mortgage, so they're the two main things... Long way away yet, so I've not too fussed... The world's going to be a different place in 20 years time, so I try not to think that far ahead... There's a lot [of time] to go before I get there."<sup>5</sup>*

*"Partly in making the switch into [self-employment] I was looking at the possibility that retirement was something I wouldn't formally consider. I can carry on doing this work as long as there's the demand. And so long as I have the faculties to do it. And so I don't formally think of retirement the way people once did."<sup>6</sup>*

*"I actually have a pension fund in Australia... My retirement, I see, is 20 years off. I'm the sort that I enjoy working for a living, and I travel a lot [for work]... We have two houses in NZ... and my retirement partially will be selling one of the houses here."<sup>7</sup>*

*"We've got two or three small businesses that we're actually trying to grow... and also just trying to pay off our own house, so we own that. A little bit of security. We just got to take it as it comes... It's a little bit too hard to do both [saving for retirement and paying off the house]... Possibly setting up a business is probably the best way to support yourself through for retirement."<sup>8</sup>*

*"I recently signed up for KiwiSaver... before that I should have been on that a couple of years ago when I was on full-time work... So that's my one way of saving for retirement or for a first home."<sup>9</sup>*

*"If anything I'm more conscious about making sure I have a retirement plan in place... In terms of timing, I've not really thought about an age, as such. My thoughts are it would really depend on where I am at the time... I'm aware that retirement might not happen at the age of 65... If I'm lucky, it will be later."<sup>10</sup>*

*"Not much. Not a huge amount [of thought] at the moment... No, it's a long way off yet."<sup>11</sup>*

*"Probably not as much thought as I should have, because it's getting closer and closer as time goes by. At the moment I think my thoughts are that I would just rely on the... government super."*<sup>12</sup>

*"I've given it a bit of thought. I know it's something really, really crucial... To be honest, it's quite scary. So I tend to forget about it... It's really important to save for retirement, and I'd love to have a nest egg... But I do know it's very important and the government won't be able to help us all out as time goes on."*<sup>13</sup>

*"[Saving for] the first home deposit... I try to put as much money into that as I can... Nothing else [for retirement]."*<sup>14</sup>

*"Scary thoughts, actually... I have three sons, and two of them have suggested... that I can live [with them] but I don't think I can - I don't think I want to rely on that."*<sup>15</sup>

*"Retirement for us is we already own our own home freehold. Everything we own, we own freehold... I plan to work for the next, probably 20 years. I probably should be thinking about it a bit more."*<sup>16</sup>

*"I do quite often [think of retirement] but I'm irresponsible, I guess you could say... Saving for retirement doesn't [necessarily] mean being part of a savings scheme. I could save to buy a property... rental properties... that's probably more how I look at investment for the future, than a savings scheme."*<sup>17</sup>

*"I like to feel that I've got sufficient of my own funds to look after me when I do come around to retire without having to worry about hand-outs from the government... I've got plenty of hobbies that will suffice to occupy my time during retirement."*<sup>18</sup>

*"My IRA... is \$3000 a month for the next eight years. I'm in the second year of that. From what I was told it only requires my contributions for eight years and then it can mature. I used to be a financial planner... I am [feeling relaxed about retirement]."*<sup>19</sup>

*"To be quite honest, I really haven't [given any thought to retirement]... Right now, you could say [I'm] just living pay to pay."*<sup>20</sup>

*"Look, I'm pretty relaxed about [retirement] to be honest. I don't know if it's symptomatic of people in my age bracket, but I look at my parents who have done very well for themselves... and eventually they're going to die and we're going to inherit a lot of that. So on top of whatever I've got, I do see some money coming from them."*<sup>21</sup>

*"Nervous... Because I haven't got a retirement savings plan yet, and I'm pushing 50, and I don't think NZ Super is enough to live on."*<sup>22</sup>

*"[We'd like] to have enough to live with a reasonable amount of comfort, but not extravagant. We don't need extravagance. That's our desire for retirement. I don't want to be penny punching and stressing that we don't have enough money to pay the power bill so we can't turn the heating on."* <sup>23</sup>

*"I'm probably okay because I've got my own business. [So] I'll have an asset to sell and also I am putting away regular amounts. I don't think the superannuation in its current form will be around when I retire [in 25 years time.]"* <sup>25</sup>

*"Given it thought. Hit 50 [years of age]... Reasonably comfortable. GFC was a big set-back... Contingency plan is now in place... We're on-track with debt reduction, and there will be a property to be sold [when we retire] and the books will get balanced. We're building an asset base."* <sup>26</sup>

*"I'm actually 69 and I'm still working, so I've past [the age]. I think probably the Western world hasn't caught up with the change that's come about with people being more healthy for longer...."* <sup>27</sup>

*"That I want to do it [retire]. I think retirement has changed for me from what it used to be. Retirement used to be 'I've reached 60 it's time to retire'. I don't see me retiring per se... I don't think it exists anymore. I can't see myself stopping working. I'd just change what I do to an extent because working keeps people alive... I'd always have an income stream of some sort."* <sup>28</sup>

*"It won't be enough. It's unlikely that anyone will have enough... I'm building value in my business and I hope to either cash that out, or use it as a cashflow vehicle later... I have to be [relaxed about retirement]. Not much point in getting worried. Worry gets you nowhere!"* <sup>29</sup>

*"About twenty years ago I purchased a commercial building. The business is operating out of that commercial building. So we've had appreciation of price as time goes on. That's quite a hefty nest egg for me when I do retire. I've also got selling the business as a going concern. If I need to fragment it I can sell off bits and pieces. I'm hoping that will achieve my retirement funds."* <sup>30</sup>

*"I don't want to think about retirement. I'm hoping to pay my mortgage off by the time I'm about mid-fifties. So I guess that will give me ten years to save some extra money. I guess I am more interested in enjoying my life right now than thinking about later. I don't want to get older so I don't think about it."* <sup>31</sup>

*"[Any thought towards retirement] Not particularly. It's a bit far away hopefully."* <sup>32</sup>

*"I haven't done anything."* <sup>33</sup>

## What can people live on

We asked people what they thought they would need to live on when they retired.

We also asked them what they thought the level of New Zealand Superannuation was, and to comment on this given their own circumstances.

The level at the time of this project was \$357 a week for a single person living alone (after tax has been deducted at rate M), and \$550 for a couple who both qualify. There are some modifications depending on whether single people are sharing, or whether only one person qualifies.

The level of knowledge around the amount of superannuation is fairly low.

A previous Horizon study had suggested that about ten per cent of the population think they could live on NZ Superannuation alone. The proportions seem higher in this study, but that's because we deliberately recruited people who said they were struggling with the bills - these people are used to a lower level of income.

Broadly speaking there two categories here: those who say they could survive on NZ Superannuation alone (even it was tight), and those that say they couldn't.

*"Mum did tell me the other day... isn't it around \$500 for a couple, in the hand?... Which is awfully scary... I think you would need between \$450 - \$520 [a week to live on]."*<sup>1</sup>

Some people (such as person two) is only earning about that level at the moment and so it doesn't represent a big change for them.

*"Definitely as much as possible... \$550 is pretty close to what I'm getting in the hand now. My wife has a limited amount of income, but that's going to change."*<sup>2</sup>

*"Depends if you're renting or not... but probably at least \$600 a week. If you own your own house it might be less... And that's like living a very minimal [lifestyle], not buying a lot of extra stuff."*<sup>3</sup>

*"I know people are living on [superannuation] now so obviously it can be done but... I would have said that you would need something like \$400 a week. Minimum."*<sup>4</sup>

*"I would have no idea [of what the amount of superannuation is]. It's some percentage of the average wage or something. It's one of those*

*things I've never really thought about because it doesn't affect me... For a married couple, is it about \$600 per week?... I'd want more than NZ Super would give you [to live on]... so probably twice that amount."*<sup>5</sup>

*"That's a complex question. In our planning is the consideration that we will move from here and take some of the capital out of our [house] and live somewhere where our house is cheaper. But... my cash outgoings are very minimal... and so I could probably live on superannuation. Given those other adjustments."*<sup>6</sup>

*"That would be very hard to say... My wife and I like to eat well, we don't drink much...\$500 to \$700 a week to live the lifestyle we'd want."*<sup>7</sup>

*"We'd want about \$800 or \$900 dollars a week. That would probably be the bare minimum. And no mortgage."*<sup>8</sup>

*"I really haven't put too much thought into it, but I guess something like \$600 for week... For the household, a fair bit more than that. Say \$1000 for the household, roughly."*<sup>10</sup>

*"Honestly I've got no idea, really. Everything that we had would be different. Even if all of a sudden we were retired and the mortgage was paid off and we didn't have kids... no idea, really."*<sup>11</sup>

*"Realistically speaking... minimum at \$350 [per week]. Obviously the more you get, the better your lifestyle. But I would say bare minimum would be about \$350 a week... If you had to, you could [live on that]."*<sup>12</sup>

*"I think we'd have to cut back on a whole lot of stuff [to live on superannuation at the current rate]... You wouldn't be living very comfortably, but you could survive. Just. Maybe."*<sup>13</sup>

*"I'd probably need about \$450 a week, I reckon. For the basics, without too many extra expenses like going away on holiday and stuff like that."*<sup>14</sup>

*"If you're on your own, [NZ Superannuation] is \$540 a fortnight... and I have \$525 a week rent!... \$360 wouldn't cover [your living costs] if you were living on your own in rented accommodation. I mean, you wouldn't have a phone."*<sup>15</sup>

*"No idea [what amount superannuation is]... We could survive off on that. We could survive off that now."*<sup>16</sup>

*"I don't know it actually, sorry mate. I could take a guess. Around \$230 a week? [For NZ Superannuation]."*<sup>17</sup>

*"You'd probably need somewhere around \$400 a week [per person]. A lot depends on circumstances."*<sup>18</sup>

"No, I don't know [what NZ Superannuation is]... I would say maybe [it's] \$280 to \$350 a week. In that range." <sup>19</sup>

"No, I probably wouldn't [be able to survive on NZ Superannuation]. Now that you've given me that figure, no I probably wouldn't be able to." <sup>20</sup>

"It's about \$300 a week, isn't it? I'm guessing. It's slightly more than the dole... \$550 in the hand [for a couple]... I'd go so far as to say I think that would be outstanding. Because by that stages there's no rent, no mortgage... The house we have at the moment is a family-sized house... I can't think of anything better than [down-sizing to] a small little shack in the country-side." <sup>21</sup>

"That makes me feel a bit better. But not much... For one person, it would still be pretty tight. Rates, electricity, insurance - that would pretty much eat it up... If you have to, you could... I lived on the smell of an oily rag when I was trying to raise the two kids on my own." <sup>22</sup>

"No idea... I don't know... If we were mortgage-free it's probably enough for the basics, but it wouldn't pay for [an overseas trip to visit relatives]... If you don't have a mortgage it's enough to live reasonably... Or you don't have to pay rent." <sup>23</sup>

"It would be tight [to live on NZ Superannuation alone], but I'd be relatively relaxed about it. We've learnt in the last four or five years [that] there are things you can do without. You don't necessarily want to do without them, but they don't dominate your thinking as much as they did in your early years... We're reasonably confident that we'd be okay." <sup>24</sup>

"Not under current lifestyle, no [I couldn't live on NZ Superannuation] That's why I think KiwiSaver is good that it's compulsory savings for... those who are signed up to it. And I think with people having mortgages, the money [can] just disappear on other things." <sup>25</sup>

"No, I don't. I've lost track of that. I don't expect it would be enough to provide a particularly good quality of life though. A total stab in the dark guess would be \$250 per week or something ridiculous like that. Not very much I would think... I would think \$350 a week would be liveable. Provided, and a big provided, you don't have significant outgoings off that. You'd have to have no mortgage... no huge rentals where you want to live...no dependents on you... [The age-ratio issue] is scary, very very scary. Because obviously you're expecting a smaller pool of people to support a growing pool of people... I don't see how that could possibly be sustainable. I don't think that model will work in future." <sup>28</sup>

"Not with my current situation, no. No. Certainly not... I imagine it would be a fairly frugal lifestyle. It could be done but I would choose not to." <sup>29</sup>

*"I don't know to tell you the truth and I would guess it would probably be in the region of twenty or thirty thousand per annum? It would be only just adequate really. I would like to live relatively comfortably given what I've done in my life... By the time I retire in about 10 – 15 years. I wouldn't think superannuation would be where it is today. Yes quite horrific. Expenses for the government are still going up and there is no way they are going to meet that shortfall." <sup>30</sup>*

*"Maybe \$150? I could be wrong. I know it's not a lot. [Could you live on \$360 if mortgage free] Right now I couldn't! If I had too, it would be very hard... We need some serious strategies in NZ to deal with [the working-age-to-retired ratio changing]. I worry when you say that, what the quality of the care will be like. It's bad enough now." <sup>31</sup>*

*"I wouldn't have a clue. I have no idea? [Guess] About \$300 per week around that... [Regarding the ratio] I thought there would be more people working. It seems strange to me." <sup>32</sup>*

*"Somewhere between \$300-400 [current level] I can imagine I'd have to stay home a lot! I can't imagine running a vehicle...It's pretty horrifying. I can see that it's going to be a major problem. I've heard them talk in the media in the past about the aging population. And I know that Japan already faces that problem. I would hope that it would be mitigated by people retiring later." <sup>33</sup>*

## Ideas to solve the problem

We asked people if they were in charge of New Zealand for the next 40 years, what they would do to deal with this issue.

The two main ideas that came through loud and clear were raising the age of eligibility, and compulsory savings. Other ideas (changing immigration policy, changing work hours) were a long way behind.

(At this stage in the interview we've talked about the working-age-to-retire-ratio dropping, but not the USP, nor KiwiSaver in any depth.)

*"I would definitely try [to] make compulsory retirement [savings]. I would make people get a general wage increase at least once every couple of years. I would make sure that everybody is on KiwiSaver for their retirement... [But] I would hate someone to force me to go in KiwiSaver... I'm pushed [financially] now. It would send the food bill absolutely downwards. It's a real hard one. You'd like to think that everyone would be able to save, but I know that being in the lower income brackets, I know how hard that is to do - even though I don't smoke or drink. I don't have many treats."*<sup>1</sup>

*"That's a tough question... Superannuation should be [only] for the people who have done an honest days work, have not managed to obtain enough funds to support themselves in their old age, and really do probably deserve a bit of a rest at the end of their time... I also believe that people should - not be forced - but be actively encouraged to do the KiwiSaver thing."*<sup>2</sup>

*"I wouldn't enforce it necessarily, but I'd make sure people were aware that they are responsible for at least a certain portion of their retirement [income]. In a positive way try to encourage them to look long-term... You could still have at least a small percentage of retirement savings through work. But I'm not big on enforcing things, but then again the statistics [you've told me] at least one per cent or a small percentage that people are putting away... Definitely [increase the age of eligibility] or at least have it tapered so... as your work decreases perhaps you get a top-up to a certain level."*<sup>3</sup>

*"I do agree with moving the commencement date out on a staged criteria. Instead of it being 65, in five years time it should be 66, then 67 [and so on]. With people's greater life expectancy it should be moved... Not commencing immediately but in five years time so people can plan for it... If more young people... were in work instead of bludging then the gap wouldn't be as great... There should be a lot more people actually working and paying taxes rather than drawing on funds paid by others."*<sup>4</sup>

*"I would probably over time not necessarily fix [superannuation] to inflation... So as people go on to superannuation they've got to save some of their own. I don't agree with increasing the age... Or you could say there is no super, but those who have saved a certain amount get a bonus top-up by the government. So if I've saved over 20 years say \$200,000 then the government would match that... up to a certain amount. But if I've saved nothing, then I get nothing."*<sup>5</sup>

*"I did appreciate the development of... the Cullen Fund... and I think that kind of thing coupled with... a raising of the age on entitlement as we are fit and well to a later age is a prudent balance of things... It needs to be signalled well in advance so people know what's coming and can plan accordingly."*<sup>6</sup>

*"I think we should have basically the same system as we've got in Australia. Where a percentage of your pay... your employer and yourself pay into an account. The only thing I've got against that is that... I've seen a lot of superannuation companies go down the gurgler... They've got to have some way of guaranteeing it like they do with the bank[s]."*<sup>7</sup>

*"I'd probably ask older people... to continue to work. Make sure they were paid well and so they could carry on working... Some kind of even minimal compulsory savings scheme for everybody, for every worker in New Zealand. Including internationals - people from overseas."*<sup>8</sup>

*"I would make it compulsory as you work to put away a percentage, maybe five per cent or something... [and] I'd make the retirement age a couple of years [older]. Maybe 67... Make it compulsory to put into the funds... the government would match that, and your employer as well. I suppose that would work out to be 15 per cent each week. So that would work out to quite good over your working life."*<sup>9</sup>

*"You need to get people more consciously involved in understanding what [the aging population] means long-term, and how to cope with that. Essentially you want a society that holds retirement [in their mind] and pays a lot more attention to it... I'd initially be looking at something like KiwiSaver, but make it compulsory [so] the long-term planning can take effect."*<sup>10</sup>

*"I have no idea. I know it's a problem, but I don't know how to fix it. Basically. If you increase taxes then people aren't going to have enough money to live now... but if you don't increase taxes then when they get old they don't have enough money to live because you didn't increase taxes earlier. Wave my magic wand and more money appear in the Treasury!... I don't know how to fix it."*<sup>11</sup>

*"If they were smart and they raised the retirement age... if they put it up to about 70 - as opposed to 65 - then they'd save [the government] five years [of payments]... Some people, I feel, shouldn't get it, because*

*they'd sat on their a--- all their life and been on the b----- dole... all their life."*<sup>12</sup>

*"Dare I say it, I'd have to make savings compulsory... I don't really know what else to say on that one... Those that are working would have to put so much away, benefits would have to be cut back a little bit. It sounds really, really hard... but you can't just sit there and let things get worse and worse."*<sup>13</sup>

*"I think I'd have a compulsory savings plan. So not just like KiwiSaver at the moment. And a lot more than 2%. It would probably be at least 5% that you would be putting away. And you'd have to put the retirement age back to 70 or so. See how that panned out and then what you have to do after that."*<sup>14</sup>

*"I would right now introduce the age [of eligibility] going up. So maybe it's up to 73 before you qualify. I don't know why I chose 73. With the allowance that people who have done really hard physical work and can't work, could get the pension at an early age. Say 60, or 65 if they need to. But I do believe that a lot of us don't need the pension at 65... If I could do anything I would change that."*<sup>15</sup>

*"I would make it compulsory that if you were working then a percentage of your pay goes into a retirement fund. Probably make it the same as KiwiSaver. I think if kids are starting off from their first day of work, they be allowed to take out once to get a deposit for their house."*<sup>16</sup>

*"Far out. That's a really hard thing to think about... It really does make you think about raising the age of retirement. Education is an important aspect... You have to consider the qualification [for superannuation]... It would have to be based on need... Means-testing is definitely a qualifying criteria."*<sup>17</sup>

*"I can see that the retirement age will have to be increased. Unfortunately. It's a difficult one in that respect. I look at people who retire at 65... they've got maybe ten years where they can really enjoy life. After that - 75 - their health in the main deteriorates quite rapidly."*<sup>18</sup>

*"Mandatory savings... that's going to have to be done. Setting up government investment accounts that's similar to... KiwiSaver... We have to insure those accounts as well because there's no point making sure people have KiwiSaver accounts or whatever you want to call it... and not have the insurance to cover it."*<sup>19</sup>

*"Probably the main one for me... [is] to drop the cost of living. Maybe our taxes shouldn't be so high... Drop taxes and get people to save."*<sup>20</sup>

*"We also need to look more at our immigration policy... I think that if we are managing the economic viability of our immigrants, that there's*

*earning capacity [for the government] there... Raising the retirement age... Make having a baby easier... paid maternity leave, encouraging more family friendly workplaces... Change business hours... make workers start half an hour early or finish later. " <sup>21</sup>*

*"I would like to increase the rate of the employer contribution [to KiwiSaver] and increase the percentage of contribution... I would ultimately like to give everybody a decent superannuation of... five or six hundred dollars per week... Tricky, isn't it?" <sup>22</sup>*

*"I would make KiwiSaver compulsory for all people and I would probably make employers pay a little bit as well. But it's mostly it's the employees responsibility not the employers. Something like KiwiSaver but it doesn't have to be KiwiSaver." <sup>23</sup>*

*"I've always been a fan of the notion of a contributory scheme in New Zealand. Australia's been doing it for a long, long time. To a degree we could have done the same thing a long time ago." <sup>24</sup>*

*"The first step is making KiwiSaver compulsory, and increasing the contributions over time for both employers and employee.... The taxing of the contributions should not be subject... to the taxes that are on them now. I think the age of eligibility needs to be increased over time. I think we need to look at means-testing superannuation again, as it was previously... I'd like to see all the parties get together... and have some cross-party ideas and something in place going forward." <sup>25</sup>*

*"I would tie the retirement age to life expectancy. A percentage of your life expectancy. I knew 50 [years of age] was the new 40! [laugh]... It's up to the individual and family unit to provide for itself... I haven't given it that much thought." <sup>26</sup>*

*"What I suggested when this first started to surface... was that we start to advance the retirement age in increments... We do need to look at how we're going to fund it... If you've got income at home [such as investing in banks, petrol stations, water, electricity] you're not subject in the same way from core services... or the currency fluctuations." <sup>27</sup>*

*"[Increase the percentage working by getting tough on benefit 'handouts']... Able bodied people should not get money thrown at them for nothing. That would free up an awful lot of money for other issues... Part of it would be finding something that people can actually do who are still productive... Something has to done and how this is done I don't know in individuals providing for their own retirement." <sup>28</sup>*

*"I would look at the Australian set-up. And 23 [sic] years after they started their compulsory system it's totally embedded. That's why I think compulsory super at a decent level is the right answer... Gradual introduction. The nuts and bolts are beyond me." <sup>29</sup>*

*"There is nothing really that you could do. It would have to be a user pays policy. There is no way you could generate additional workforce. You may be able to bring in, looking at the times things are getting more and more into computer controlled stuff. Whether NZ could bring in additional income from overseas from that... It's quite difficult. There would have to be some new technologies... The government needs to cut down on our own spending."*<sup>30</sup>

*"My parents are on super at the moment and it is just so expensive for them. I think things like free healthcare. And really good quality of care for older people would be really important to me. I guess somebody's got to pay for it at the end of the day. Obviously it's not sustainable is it... Maybe it has to start being compulsory for people to save for their retirement. Although what happens to people who are on the benefit? How do they save? So you end up with the poor not being able to afford quality of life. And then you've got the richer people who can afford it. Subsidising the poorer people, maybe means testing."*<sup>31</sup>

*"To be completely honest from what I know of by grandparents who are on it not really much...It sounds a lot to be giving to people that aren't working. Pretty good where it is. If it was raised it wouldn't be much. Maybe as life expectancy goes up it could go up as well. It's pretty much your own choice what type of work you go into. So if you choose to do that then tough [regarding trades that wear out the body]."*<sup>32</sup>

*"I don't know exactly the best method for doing this. But I tend to think that the reason that we have a problem with people being poor is that we have an imbalance in earning potential for people at each end of the spectrum... We have more than enough wealth in our country to look after everybody... Increase tax. I would go with the model that the Scandinavian countries have used. They've racked their tax up to where they are paying in the vicinity of 50% and that way can return it socially... I'd like to build a society that could sustain itself without having to import capital all the time."*<sup>33</sup>

## KiwiSaver

We asked people what they knew about KiwiSaver, and what they thought of it.

The level of knowledge - even by people not in KiwiSaver at the moment - is quite high.

There is also a lot of support for KiwiSaver, with only a few reservations.

*"You put a percentage in... out of your wages each week, and also the employer puts in a few per cent, then three or four... I know for the young ones they can borrow against it to buy their first home... Yeah, a thousand dollars [kickstart]."*<sup>1</sup>

*"KiwiSaver works is that I input some money, my employer puts in some money, and together it is invested at the rate that is chosen pretty-much by the person invested it... I pay two or three per cent and the employer pays an equal amount... [You can take it out] as a deposit on a first house... but you can't say 'I want a new car so I'll take some money from KiwiSaver.'... [The Government] puts in \$1000 kick-start."*<sup>2</sup>

*"I do have one problem with KiwiSaver, is that you can't opt-out once you've opted in... You can go on a payment holiday... but you can't opt-out once you've signed up... I'd rather put the money into my own savings account... You're not really in control of your own money if you want to be."*<sup>3</sup>

*"It's a great idea. Because a lot of people just don't save. Yes, it can be difficult, but it's obviously tied to the level of your wages... Probably very difficult for people earning lower incomes to have that put aside, but it's needed... People really should have more than superannuation to live comfortably in the future. It's pretty hard to live on just superannuation now, let alone in the future."*<sup>4</sup>

Person five was in a government scheme rather than KiwiSaver, although there seemed to be a lot of similarities between the two.

*"It's a good scheme. If I didn't have the scheme that I've got, I'd be part of it."*<sup>5</sup>

*"I think it makes basic sense for there to be such a scheme...I think it's just a sensible concept. I can't think of any particular features of it that you would like or dislike... Maybe if such things were a state thing rather than a lot of private providers, but that aside [there's nothing I'd change]."*<sup>6</sup>

*"It seems like once again, all the previous funds have gone down the gurgler... The government seems to get their toe in it somewhere, and suddenly they sell it off and it goes belly-up. You've definitely got to have a heavy government watchdog on people's savings. I'm not going to put money into savings in NZ, when there's a darn good possibility it's going to disappear."*<sup>7</sup>

*"I haven't really looked into it and I haven't joined it... It might be a perfectly good scheme but I haven't put any thought into it."*<sup>8</sup>

*"I think it's quite good... It's pretty good. Especially for young people for the length of time they'd be on it. Just as long as a government in the future doesn't do away with it."*<sup>9</sup>

*"I must admit, initially I was very sceptical. I was opposed to it initially. But I think it was just a matter of me taking the time to learn more about it. Now I think it's essential. My thoughts are that it has to happen, it should happen and it probably should have happened a long time ago."*<sup>10</sup>

*"It makes sense. You can't expect the government to pay everything for you once you retire - it would be nice if they did, but realistically they can't afford to. It makes sense to put some of your wages away, and if it's untouchable... then it stops you spending it on the frivolous little things."*<sup>11</sup>

*"For young people, I think it's a bloody good idea... To me for a young person it's a good idea and it gives you the ability to save, when you're young. For older people... it has its benefits but you [have to] weigh up the odds as to how financial beneficial it will be... when you're older."*<sup>12</sup>

*"It's a good idea, but at the moment not for me. Because at the moment I have [four kids at home]... and I don't really have any intention of joining KiwiSaver... Once [the kids] leave home or get a job, then I will seriously consider it."*<sup>13</sup>

*"I think it's a great idea. They should have brought it in years ago."*<sup>14</sup>

*"Personally I think it's fantastic and I wish it had been there when I started work. I grew up in a time when people didn't talk about money... I've got seven brothers and a sister and all nine of us are all absolutely hopeless with money. If we had a savings scheme like this that we had to put money into, it would have been just perfect."*<sup>15</sup>

*"I do like KiwiSaver, I like the thinking behind it. I like that you can't touch it, except for your first home... but because you can't touch it, it just sits there."*<sup>16</sup>

*"It's actually a good idea... I do kick myself for not starting when I started in the company ten years ago."*<sup>17</sup>

*"The thing that I don't like about it, is that employees feel that it's not part of their remuneration and it's just a right and something that the employer's got to find. Which is another overhead, which forces up costs and so it goes on. That's the only thing that I don't like about it."*<sup>18</sup>

*"I think the safeguards [against early removal] are pretty good. To keep people from being tempted... It's not just the short-term, you need it for the long-term. Many people are living in the now... Get the new this, get the new that - and if I don't get it, then my life is coming to a halt."*<sup>19</sup>

*"It's a great idea... Especially for those... young ones who are working and having the idea of having their first home by the time they're 30... I know of others who don't [like it] and they all want to opt out."*<sup>20</sup>

*"I think it's alright... I'm mistrustful of the whole thing, to be honest... These big investment houses in the States that are folding... I'm not confident that my money is safe, secure or guaranteed."*<sup>21</sup>

*"I think it's a jolly good idea... Because not enough people in the country were saving for retirement. And really everybody does have to take responsibility for themselves as much as possible... No [there's nothing I don't like about it]... I'm really happy with the structure of it."*<sup>22</sup>

*"It's a great idea. I like the fact that the money is gone before the recipient gets it... so they don't miss it. I like the idea - I think it's absolutely brilliant - that they can withdraw the money... to buy a house after five years. And I like that money is saved for retirement but in an extreme emergency you can access it in the meantime."*<sup>23</sup>

*"Australia's been doing it for a long, long time. To a degree we could have done the same thing a long time ago... People are always wise after the event."*<sup>24</sup>

*"Great idea, and I encourage people to be involved in it... As an employer, we factor the contributions to KiwiSaver in when we employ staff. What is a pain... for some of my clients who employ people, is the complexity of filling in the PAYE forms and the taxing of the KiwiSaver for the employer contributions... Those without a computerised payroll system, I would say 90% of them are doing it incorrectly."*<sup>25</sup>

*"I'm entirely comfortable with it. Obviously I'm reasonably financially aware, but for people who aren't - yeah, it's good. The fees are something else again. There should be a limitation on the fees... We could distort the market and make them invest entirely in New Zealand, rather than the offshore markets. Possibly."*<sup>26</sup>

*"I think the idea's quite good, I think the format is probably not really up there with what you need... There needs to be transparency around things like fees and what managers are doing."*<sup>27</sup>

*"I know a little bit about it. As an employer I'm aware of it. I have some fairly strong opinions about it... I think the idea of it is laudable. I have no trust of it what so ever. And I don't like that it is another tax on employers. Governments change it all of the b----- time... until it will be diluted down until it's useless... If you are a small to medium sized business it is just another pay rise that you have to pay for... which you can't afford to do." <sup>28</sup>*

*"It's really good. It's simple, it's pretty straight-forward, it's generous. All my kids are in it and they've never known any different... Over time it will build up a good sized chunk of savings." <sup>29</sup>*

*"Yes, [I know] a reasonable amount [about KiwiSaver]. It is quite a positive thing but personally I don't believe in the mandatory employer input. There are a lot of small businesses that can't really afford it. Labour rates need to come down to compensate. But you can't go back on somebody's wages and say look we are going to put your wages down by two or three dollars an hour just to be able to pay Kiwi saver, the employer contribution." <sup>30</sup>*

*"I know that I contribute a certain amount and my employer contributes a certain amount. And then I think [the] government also gives me a certain amount. And I can't draw on it until I retire. I know I could draw on it if I was buying my first home but I'm not so. My concern is what if the investments went wrong? All the money that I've put in there is worthless. Another concern is that I'm not allowed to touch that until I retire. What would happen if I died? [I won't have the benefit of it]. I quite like retirement funds that allow me to draw on them. It might be in ten years' time, I might want to pay of my house." <sup>31</sup>*

*"From my understanding it's sort of like a retirement savings. You put in a certain amount, your employer puts in a certain amount and the government gives you some as well. I know it can be used towards your first home. Sort of like just a compulsory savings. To be completely honest I don't really trust it. It is a good idea but there is ways it could be done better. And I just don't really see it lasting. I suppose it works good for some people so it is definitely an option." <sup>32</sup>*

*"It's a half and half thing between the employee and the employer. I think it is 3%... You lose part of your income but it goes into a savings scheme. But you gain in that the employer has to put in an equal amount. So you are kind of getting a pay raise that you can't touch until you're 65... It's one of those things I've been meaning to do but have just not gotten organised to do it. I think it's a good idea." <sup>33</sup>*

## Universal savings plan

People we talked to were generally favourable to the USP. (Remember that the group we talked to were neither strongly opposed nor strongly supportive of the scheme.)

Here are the general comments about the USP, before we go onto the specific details of it.

### Generally favourable comments

*"Initially I would be favourable, but I'd have to think it through a lot more... People would have a lot more to save... It's a hard thing to give a deep, meaningful and thoughtful comment on something [I've only just learned about]."*<sup>5</sup>

*"It's good...Seven [out of ten]. Significant parts of the population... that just don't have the ability or discipline or thinking or whatever [to save] and I think that the sake of especially that sector compulsion and a scheme that is really going to look after things makes sense. I think there needs to be [compulsion]. Without the compulsion the people who need it most not doing it... It creates more capital that can be employed in different ways in the economy."*<sup>6</sup>

*"No, simply [put] like that, I think it's quite simple quite happy with it as it is. I'd have to read the full document to fully understand what it's all about... I'm quite happy with the concept."*<sup>7</sup>

*"I quite like the idea... About an eight [out of ten]."*<sup>8</sup>

*"Makes sense really. I mean, someone's got to pay for me getting old. The government doesn't have the money, the government's not going to have the money. So it's much easier to take it out a small bit at a time out of my wages now, than it is to expect someone who doesn't have any money to pay it. Or to [say] "Oh my G-d I'm now 65 and I can't live". It would suck, because... we don't have a lot of spare money... but such is life. You've got to plan for the future somehow."*<sup>11</sup>

*"I quite like the idea... there's not too much I don't like about it... I guess it would depend on your employer, but in the grand scheme of things it would not make a huge difference."*<sup>14</sup>

*"I like it. I'd have no problem participating in that."*<sup>16</sup>

*"Initial impressions [are that] it sounds very good. Quite a lot of advantages over existing KiwiSaver, I think... It needs to be inflation adjusted, in some or another."*<sup>18</sup>

"No-one likes compulsory, but... something needs to be introduced to establish some security for the future. And over ten years... that's not huge... [Top ups?] Absolutely. I'm a complete socialist. We are our brother's keeper." <sup>21</sup>

"No [objections], actually. Because I approve of compulsory savings schemes... I'm afraid that I really am in favour of compulsory savings, so it sounds quite good to me." <sup>22</sup>

"It's something that needs to be done, rather than having a bigger problem years down the track." <sup>25</sup>

"Palatable. I know that Kiwis aren't that good savers, on the whole. So to modify ingrained behaviour... ultimately we have to dig ourselves out of this whole... Incentivise people to work." <sup>26</sup>

"A pension is a great idea in principle. It should be an option. [But] a pension would require a truckload of capital." <sup>29</sup>

"It is very capitalist. You can fund business expansion and deposits on a business... that would give a higher turnover of businesses at the moment... If somebody had funding the chances of me being able to sell my business are greatly increased... I would say a seven [out of ten]." <sup>30</sup>

"It would be alright especially if it was phased in. Not a big amount, bang, straight away. No, I am pretty adamant who I'm going to vote for. This is only one factor... You'd have to be pretty selfish to think that this would be the centre of your decision making." <sup>31</sup>

"There's definitely good points to all of it. It's not that much of the pay packet really. It would be definitely handy to buy a house. I am open to it as in I understand the pros of it. And I suppose it comes in like a secondary tax but you're getting more out of it in the end." <sup>32</sup>

## Generally negative comments

"Employers would probably rort it... I don't know if it would encourage people to save." <sup>5</sup>

"I suppose that you don't get \$1000 up front, I suppose that's the only bad thing about it. But I can't see any other bad things about it... It's quite a long time [to 65] and five per cent is quite a bit of your wage so you'd want to make use of it before that time." <sup>9</sup>

"The negative of it, is that we don't have a lot of money to put aside for it, but if you don't do it now, when are you going to do it?" <sup>11</sup>

"It sounds interesting, but for me personally, I'd fight it all the way." <sup>20</sup>

## Investments structure

People like the investments to be in their own name. A few (who didn't understand KiwiSaver properly) said this was essential and a factor for them in being more favourable towards the USP. Some others mentioned being able to invest in "core services" (like banking or power) and referenced the Cullen Fund.

*"I did appreciate the development of... the Cullen Fund... Look at all the [private] financial organisations that have fallen over in the last little while. Those private organisations doing it for profit, [for] themselves. To me things like that should be just for the broader social good."*

*"The things that never change - the necessities of life - things like the power, the water, the banking system, those fundamental things, if they were owned to some extent that income would always be there... Yes, I am [talking about something similar to the Cullen Fund buying the Shell Petrol Stations.]"<sup>27</sup>*

Person 17 didn't really understand KiwiSaver, and found the idea that the money in the USP would be invested in your name - rather than being pooled in the same way taxes are - to be a major drawcard. Something to consider in communications.

*"If you could have professionals that could invest it for you, and it never leaves your name... then that is a much more sensible option than having someone play with your money."<sup>17</sup>*

## Top-ups

The top-ups are seen as being good by some, while others dislike it. Those that dislike it felt that many people who don't work (for example, while raising a family) do so from choice.

*"Being topped up is a good idea, especially if you start later... I think for the people who have worked, it's great, but what about the people who don't work. What benefits do they get?... I would definitely do it if it was affordable."*<sup>1</sup>

*"I just don't see how the top-up is going to be fairly used. I think it could be abused. It should be on contributions. I like the guarantee thing."*<sup>4</sup>

*[Top ups?] Absolutely. I'm a complete socialist. We are our brothers keeper."*<sup>21</sup>

The top-ups are not universally popular, and there might another way to achieve the same aim.

*"I still don't agree with [the top-ups]. I would agree with whatever is put in by you and your employers, that's what the end result is... One of the things is that people stop working because they can't be bothered any more, and go on the unemployment benefit. Why should they get the same as someone who's worked all their life and kept working to contribute? I agree with the scheme, with reservations."*<sup>4</sup>

## Split contributions between partners

One idea suggested by the researcher was to split the contributions between partners. This was reduce the need for "top-ups" and help protect the person earning the lowest over the course of their working life.

*"I do like the idea [of splitting contributions between partners]."*<sup>16</sup>

*"The earnings potential for a bigger account, if the accounts were combined into a matrimonial account, would be a lot greater than two individual units."*<sup>30</sup>

This is worth testing further in the quantitative study.

## "Drip feeding"

The "drip feeding" idea is generally seen as good, and the Australian situation of people spending large lump sums or increasing debt was quite persuasive.

(The term "drip feeding" was used to explain the concept of an annuity - being required to turn part of your savings into a pension. Everyone seemed to grasp what it was immediately.)

*"I can see its benefits... The fact that when you hit 65 you don't get a big lump sum... So you know... you've got that little bit extra coming in as well... You don't have that really bit whack and go 'oh my G-d, let's have a round-the-world trip!' and then you've got nothing to eat." <sup>12</sup>*

*"I think it's a really good idea... if you have more than the minimum then you can draw on that straight-away." <sup>13</sup>*

*"I think the drip-feeding idea is actually really good because if you're got \$100,000... coming your way, I could imagine quite a lot of people wanting to do an overseas trip and then live on whatever the government would provide." <sup>14</sup>*

*"The drip-feed is definitely a good idea. But also being take whatever's [over and above the minimum] would probably make it really attractive to a lot of people." <sup>19</sup>*

*"[Drip-feeding] makes a lot more sense... I don't have a major problem with [the USP]. The only way I save if something forces me to save." <sup>17</sup>*

*"It sounds very promising. And I do like the idea that it is protected. In that you can't get your \$300,000 and go and buy a yacht or go on an overseas trip and then... fall back on the government when you're stony broke." <sup>22</sup>*

However, not everyone thought those restrictions were good.

*"You're getting into a situation where you're actually removing choice... You get into the situation where 'government knows best'... You either have choice or you don't. If you're being forced into it - and I'm not against that - then the other end needs to be as free as the start is prescriptive." <sup>27</sup>*

## Guarantee

People like the idea of a guarantee - who wouldn't? - but it just needs to be communicated well. A guarantee by the scheme providers themselves would not be as well received as a guarantee by the government, along the same lines as the recent Retail Deposit Guarantee Scheme.

*"I like the guarantee thing. That would stay [in my ideal scheme]. That you're guaranteed to get whatever contributions had been put in by yourself and your employer. That should absolutely safeguarded, even if any interest gained wasn't. Though I'd tend to say the interest should be safeguarded too."*<sup>4</sup>

*"I'd have to trust they didn't lose the money... It needs to be perfectly reliable, it would have to be written in stone. Not many people trust political parties now... It would just about have to be written into the constitution... If it's legally in your name... If the only guarantee [was the capital] at the bare minimum [then I wouldn't like that]... [I'd want] pretty much the whole thing [guaranteed, including interest]."*<sup>8</sup>

*"I always have concerns about the administration of it. Whether it be government-based or private company-based, I always have concerns about these kinds of investments."*<sup>17</sup>

*"Not really [anything I don't like]..."* Previously she had said that she was "mistrustful of the whole [investment] thing, to be honest... These big investment houses in the States that are folding... I'm not confident that my money is safe, secure or guaranteed."<sup>21</sup>

*"I actually think it answers a lot of the concerns that I had previously. [Regarding inequalities, minimum amount] I like it that that's been addressed. I like that if you save over a certain amount you can draw on it yourself. I like the fact that it is guaranteed."*<sup>31</sup>

## Retiring later

People liked the idea that they could retire later, and would get a benefit from doing that. This is definitely an area to communicate.

*"All in all it sounds like a good idea, except for the no pay rise thing... It sounds like a good thing in principle. I like the idea that you can be rewarded past your retirement age... To be rewarded for going past that retirement age would be a good thing..."*<sup>2</sup>

*"If you want to work past the retirement date, then by all means [do so]. I want to work until I drop dead."*<sup>7</sup>

## Potential for an erosion in the saver's standard of living

The erosion of the standard of living is something people are aware of, and something that is a concern for people who are finding it hard at the moment.

(This is where future wage increases are slowed down as both the employee and employer put an extra 0.5% of the employees wages into their USP fund each year - totally 1%. This means - all other things being equal - an employee would receive a 1% reduction in their wage increase in their pay packet. If they were going to receive 3%, it might only be 2%, thus reducing or even eroding their standard of living if inflation was more than 2%.)

*"I do think the employer would [reduce the future wage increases]. I've often thought, that if I started KiwiSaver, is my employer going to say 'Well, I'll give you [a pay rise] of a dollar an hour, and then I mention that I want to do KiwiSaver, I think that would go against [the pay increase]... I do think five per cent is probably quite a bit for employers at the moment." <sup>1</sup>*

*"All in all it sounds like a good idea, except for the no pay rise thing... It sounds like a good thing in principle. I like the idea that you can be rewarded past your retirement age... To be rewarded for going past that retirement age would be a good thing... It would reduce the number of pay rises. I haven't had a pay rise in over two years, and before that it was three. Putting it up a percent on a constant basis would really start to eat into my usable money. That worries me a little bit... You'd probably have to instate it and I'd have to have a look at it for a couple of years, and then my confidence in its ability to sustain itself without destroying people's value in life... If I [didn't see] that happen, then it would upgrade my rating a bit, however at this stage... I don't really want to be forced into that. Even though I see it as possibly a necessity." <sup>2</sup>*

*"My initial impression is quite favourable, to be honest. It's probably a little bit overdue... It's great to plan for the future, but if your current situation isn't going to allow for the effect [of the lower wage increases] then it wouldn't necessarily work that well... The other side of the coin would be that the employer contributions [would mean] the increases in wages aren't going to be as much. It automatically puts a strain on some of those families that could be affected. [You need to] find a way that would be beneficial to all parties so that no-one is left under strain as a result of it... I'd have to be a little more secure - relatively comfortable - that it's not going to have too much of a detrimental impact [on]... the families in need." <sup>10</sup>*

*"Well, the thing is you're not taking 5% out of his wages. You're taking 5% to put it away for the future. That's the difference. If you said I'm*

*dropping your pay by and going to take it for someone else... then we'd be grumpy. But you're saying I'm going to take that 5% slowly over time, and then I'm going to give it back to you with interest later on."*<sup>11</sup>

*"For somebody who's close to that bare minimum [standard of living], [\$5 a week is] a lot of money. That's a loaf of bread, or two loaves of bread. It can be the difference between giving your kids lunch that day or not... It's a good scheme but not everyone can afford it."*<sup>12</sup>

*"I think the [incremental increase] should be [based] on... whether you get a pay rise or not. So if your income doesn't go up, it stays at half a per cent [for that year]."*<sup>13</sup>

*"With my employee... hat [on], fantastic... [It's] significant in the current economic climate. But when the economy is going well and the business is going well, I like the sound of it and at the end of the day... it wouldn't be that bad. But right now, I wouldn't like to have to go to work knowing I had to add that percentage on [to my wages bill]... But as you've said it's coming in over [ten] years... Seven [out of ten]... Based on the previous ten years, yes we would have given them a 5% payrise... But [considering] staff morale, I don't know. I don't know. The people that probably really need those payrise, probably need the money at that stage... I guess it depends on what type of employer you are."*<sup>15</sup>

*"It won't worry me as an employer, but it may upset staff. Because they're not only going to have to put more into themselves out of there wages... their employer is also going to be putting in more and is not going to be quite as receptive to increases in wages."*<sup>18</sup>

*"I do understand that something must be put in place... [If pay increases were low or slowed down] I do believe morale would be down. The rate of production would decrease... [In a good economy] you'd probably give them 2-4% and if they missed out on that [other] 1% because it was going directly into a savings scheme I don't think that would be a big hurdle... The earnings potential for a bigger account, if the accounts were combined into a matrimonial account, would be a lot greater than two individual units... I don't believe [using parental funds for children's education] will work. The kids leave home and really they don't have any financial ties back to a family."*<sup>30</sup>

## Ten-year phase-in period

The period of ten years to be brought it was seen as reasonable. One or two even said it might be too long. There's no need to change anything here, but it's worth emphasising in communications.

*"From the employer's point-of-view, going over ten years... you can budget for that. And you can do that... Coming in half a percent a year over that timeframe I just think you could probably work that through quite easily."*<sup>15</sup>

*"[The total cost of employment argument] would definitely ease a lot of concerns that business people would have. And employees that are more up on their [financial knowledge]... I think ten years is a perfect amount of time."*<sup>19</sup>

*"Look... I've certainly got some clients... [where] only 20% are on KiwiSaver... Certainly if it [come in] over time, I think that is fair for everybody. It's something that needs to be done, rather than having a bigger problem years down the track."*<sup>25</sup>

*"Because of the... [ten-year] lead-in period, that is okay... You could even shorten it to five years."*<sup>27</sup>

*"It would be alright especially if it was phased in. Not a big amount, bang, straight away."*<sup>31</sup>

Person 28 thought that it was "naïve" that future wage increases would pay for the extra money put into the USP.

*"The first comment I have really is that I think it is a naïve view of employers. Yes, it may not hurt their pocket but it ignores factors such as compulsory wage increases and the increasing of the minimum wage... I'm not sure about some of the loopholes for getting out of it... The only thing I'd have a problem with would be the employers contribution part... I don't think we can afford to wait and I don't think we can afford to do it... I think phasing it in over a period of time is a good idea... [but] I do think [the staff would] be grumpy..."*<sup>28</sup>

## Getting the money out early

While there is general acceptance that it should be hard to access the money out before retiring, there were also some concerns around it. Some people gave this reason as why they weren't part of KiwiSaver.

*"I wish it was a little more flexible as to when you could get it out and for what... I'm still just not into the compulsory thing but I can see why we need it to boost the pot, the coffers as they say. I still don't think the employer is responsible for my retirement. It's really not their problem. It's up to the person what they do with their money."*<sup>3</sup>

*"If it's serious debt and [withdrawing some from the USP] will put you back on track, but not for paying off a loan for a TV or car or something like that... That five per cent that you're putting in, make it more of an option that you can take it out... People don't want to be tied down and think that they can't touch that money for a very long time."*<sup>9</sup>

*"It's got to be a controlled [process], with some human controls around it. I'm not sure how you would do that..."*<sup>10</sup>

*"This is my problem: I mean... who decides on [what] significant trauma is?... This is what worries me the most. Who decides what is significant? It would put my husband out of work for a long time, and if he's not working then we need money coming through. I sort-of like the idea [though] but I've got concerns with it as well... [Being able to take a limited amount of money out for each week out of work] sounds a h-ll of a lot better... In some ways you can't really go for 100%... that's not being realistic. Maybe 80% like you would get for ACC..."*<sup>13</sup>

Person 28 was unusual in the sense he didn't like funds to be available "unless there is no other option" and even opposed using the funds to buy a first home.

*"It has to be virtually, it has to be pretty much iron clad. [Referring to options to take funds early] Unless there is no other option, these are voluntary choices to buy a house... to buy a business. It is not a voluntary choice to have a medical issue... I don't think lifestyle choices... should be a reason. [Question: You'd support this in the sense that you think we have to do it. But from a philosophical point of view if we didn't have to do it, you would not support it?] Correct!"*<sup>28</sup>

Person 29 made the suggestion that with the USP, people could actually be able to retire early if they had enough money in their USP fund.

*"If I'm 60, I [should be able] to choose to retire."*<sup>29</sup>

*"If you can budget right it's not going to bother you really. [Treat in like a savings account] Within reason I mean for example if someone got pregnant and had to take time off work. Why can't they some benefit out of that savings towards that? If you are in hardship you can go and apply to get something out of it." <sup>32</sup>*

## **Australian comparison**

Comparisons with Australia are generally positive in convincing people about the USP. The 1.3 trillion dollars in their superannuation accounts is hard to argue with. The 6%/9%/12% history of the Australian scheme is also powerful, as is the fact that it is entirely coming from employers.

The unions waiving their claim for 3% salary increases in the first few years may also be worth investigating further.

*"It's basically the same as Australia. If you can bring this scheme in, it's far more plausible than what we ever had in the past... I'd be in agreement with belonging to that scheme." <sup>7</sup>*

Person 24 thought that superannuation should be eventually stopped completely (private savings only) and used the Australian situation as a comparison.

*"I think that's probably what the problem is with the Australian scheme... They've still got the basic income from the government scheme coming their way... and traditionally they've been designed at such a rate that someone could survive... They can probably manage on a government scheme so whatever comes their way from [the USP]... in some way negates the original concept." <sup>24</sup>*

## **Exemption for low incomes**

Most people seemed comfortable with the exemptions for low incomes, but a few thought everyone with money coming in (including benefits) should contribute, no matter their circumstances.

*"I'm not that keen on... the contributions [exemption for low income]. Everybody should contribute. I know I'm a bit hard... [but] 100% contribution.... I would say no, I don't like the 'top-up'. But I do feel for the people who will struggle." <sup>16</sup>*

## Education options

People are reasonably split on using the fund for education. It's probably not a deal breaker for most people. Some even suggested the funds could be used for the education of family members.

*"It has a lot more options than the current KiwiSaver. I do like the fact that you can pay off your student loan, 'cause that's a big problem for people coming out of [tertiary education]... I do like the fact that you get paid over your retirement, not just a lump sum. Otherwise people will go crazy with it. I do like the fact that you can open your business with it... Creating more money for yourself. I think that's quite good."*<sup>9</sup>

*"I think it's a great idea where you can put it back into a student loan. I've got quite a big student loan and that would be quite a big plus for me. Or into a business if that's what you're interested in. 5% is obviously quite a good number."*<sup>14</sup>

*"Everyone should contribute... If you've got a degree - if you've completed it - then yes [you can use the USP for student loans]... I do like the idea [of splitting contributions between partners]."*<sup>16</sup>

*"That actually sounds much better. At first it may be difficult but as each month or year goes by you just forget about it... That's really good [being able to use it for education]... My [extended] family in Sydney probably used the money [for their university fees] from their [retirement] savings... Because the children are our future! [laugh]"*<sup>20</sup>

Others thought this was a bad idea. The quantitative survey will give some more guidance on this.

*"I don't believe [using parental funds for children's education] will work. The kids leave home and really they don't have any financial ties back to a family."*<sup>30</sup>

## Employer / employee split

The 5% / 5% employer / employee split was generally well-received. Most employers acknowledged the ten-year phase-in during a reasonable economy meant it would be cost-neutral to them.

Employees on the other hand realised it meant a degradation of their standard of living. Some employees (like the first person) had philosophical issues with the employer paying into it.

*"The thing I'm a bit anti-KiwiSaver on [and the USP], is that the employer has to pay as well... I agree with the [USP] scheme, I just struggle with the employer have to pay into it as well as the employee. I'd rather it was just the employee paying into it - with interest."*<sup>12</sup>

Person 19 felt that people would be laid off as a result.

*"It's really difficult for a lot of companies in New Zealand. The government's not really doing enough to make sure the [business] environment [is healthy]... Is these feasible for me as an employer, or do I need to cut one or two people to make this feasible. If this was legislation here, for sure people will be laid off."*<sup>19</sup>

*"What I've heard of the scheme, I like. I would prefer there was a little more of... a contribution from the employee because it does add to our costs. But for the well-being of our staff and of our country, I think it's probably necessary. We pay taxes because it's necessary for the well-being of the country. I would think that probably it's the same sort of thing... We tell [our employees] quite clearly, that anything we pay them comes out of our pocket. So for them to get a pay rise they have to earn it... We would consider it separate from their salary. Part of an overall [package]... It's the cost of having staff."*<sup>23</sup>

*"I do see [employer contributions] as an 'over and above'... You have to meet the market wages. If you don't meet the market wages you're not going to attract and retain staff... Our employees are actually our key people, and looking after those is important to us. So if we can do little extra things like KiwiSaver and additional contributions, that helps our employees and we get the end result of that anyway. Because they recognise that and go the extra mile for us."*<sup>25</sup>

*"I think it's actually quite good. I think 5% it always has been a minimum benchmark of what people have to put aside for retirement savings and it has never been adhered to. And again if they could get 10% in there it's probably what they need to actually have... I think phasing it in over a period of time is a good idea... I do think [the staff would] be grumpy..."*<sup>28</sup>

Some people thought that the employer percentage contributions applied to the individual employee, rather like a bonus that increased every year. They had some fears that unscrupulous employers might fire people when they reached the higher levels of the USP, so as to employ people starting on zero. Once they understood that the USP applied to the country not the individual, their fears were allayed. This is something to pay attention to with any communications.

*"I'm a bit worried about the employer... What's to stop [them] at four years making up some sort of mythical thing... we're making you redundant... and then employing someone else and he's back to 1%?"<sup>22</sup>*

## **Fund management**

There is a certain amount of scepticism and mistrust of the fund managers, and this is a serious risk to the USP.

*"[That ex-MP] he turned out to be along with the rest of them, the lowest of the low. Playing with large amounts of other people's money like it's a game of snap."<sup>8</sup>*

*"Manufacturers and retailers, they are all taking hits at the moment. You can clearly see margins being eroded. And when you talking about the financial sector like banks [and] insurance companies, they're all maintaining their extremely high margins...the cost of savings [in these type of funds] is quite high...The providers were making quite a bit of money out of your funds... I am in a position where I can [save] and I can manage it quite well."<sup>30</sup>*

## **Mortgages**

Some of those with mortgages pointed out that retirement savings generally had a lower real rate of return compared to paying off their mortgage. This is another risk to the acceptance of the USP.

*"If you've been in it for a while, [maybe] you could pull a percentage out for a mortgage... Not the whole fund, but a certain percentage."<sup>7</sup>*

*"There is one thing [I don't like]. Mortgage offset. I say that simply because it's pointless to save and be taxed, when you can reduce your mortgage. I think [the USP] would fly if there was a mortgage offset."<sup>26</sup>*

## General comments

Here are some interesting comments that didn't fit in the topics we discussed.

*"They have to do something."*<sup>1</sup>

*"I can see superannuation becoming a big issue over the next couple of years. And I think it needs to be addressed."*<sup>2</sup>

*"[The current system] is generous... but if it's becoming a problem... then we do need something. I'm just not fully convinced about this way yet. I'm open to ponder on it, but my initial reaction is maybe four or five [out of ten]... [What would convince me?] A sense of urgency. If I knew the country was going to become bankrupt because of it. Laying out facts. A bit more sense of 'something has to change'... If the employer didn't have to give so much... that would make me happier... Or get rid of it... If you could make it that if you had your own private plan [you could opt-out]."*<sup>3</sup>

*"I think it's more just the costings of it. I'm more of a personality where I like to see things on paper. I'd have to see some scenarios in terms of high income, middle income, low income and no income worker, and how much that costs everybody involved. And is it better than what there already is."*<sup>5</sup>

*"It sucks that we don't have the money now, and it will make things tighter - but so be it. But what's the difference between being tight now and having absolutely no money to buy food later on when we retire?"*<sup>11</sup>

*"Not all jobs are going to give you a pay rise every year."*<sup>13</sup>

*"How much are the government putting in?... That would influence my vote, if the government was providing an addition to it as well... I like winning stuff. If it was like the Bonus Bonds scheme, that would be an incentive."*<sup>14</sup>

*"There's always going to be the staff member that's looking for top dollar and will go from... employer to employer to employer. But after a while people that shift around like that - employers looks a little sideways at them and don't want to hire them. Not stable enough."*<sup>18</sup>

*"If the Labour party's scheme of about 20 years ago - Norman Kirk's scheme - had been implemented, we wouldn't be in the problem today that we are now. I thought that was a great scheme, at the time, but it was destroyed by politics."*<sup>23</sup>

*"I think we should have a compulsory scheme, so it's built into the overall superannuation provision. So it's not an add-on... You've got to do it*

*individually, so people get an element of benefit to it, over those who haven't contributed."*<sup>24</sup>

*"What I would rather see [is this]: the government's sitting on this big fat pool of money from capital guarantees from insurance premium. Rather than me - or anyone - being able to take their money out of the [USP] fund, I would rather see some money advanced from that... interest-free for a period of time, with a guaranteed offset against the [USP] fund."*<sup>29</sup>

*"... My only question would be can I take it with me if I leave NZ for good?"*<sup>33</sup>

## Discussion guide

### 1. Purpose of meeting and introductions (2 minutes)

Explain broadly what this project is about - savings and retirement - and why I'm meeting with them today. Give them a brief overview of today's interview, including the scope.

Explain that only their first name will be used with the client so they can't be identified. Ask them to be as honest as they can and say that I don't work for the client.

Tell them that I'm going to ask them some personal questions about their savings and any retirement planning they've done, and ask their thoughts on some different ideas.

Pay them the money, and give them a card from Tasman.

### 2. Savings in general (2 minutes)

What's their attitude towards savings? What sorts of things do they save for? If savings are intermittent, what causes that? If savings are low/zero, what stops them saving more? When do savings get spent, and on what sorts of things?

### 3. Retirement (5 minutes)

What sort of thought have they given towards retirement? Have they done any planning, and if so what?

What is the level of NZ Superannuation? What amount does a single person living by themselves get per week? (\$357 per week, \$18586 per year) What amount per week do they think they would need to live on?

In the 1950s, for every one person entitled to superannuation, there were seven of working age. Now, that's about five workers to one retired, and by 2030 it will be three to one. Any thoughts on that?

The life expectancy of someone born today is about 100, which means they will spend about a third of their life on superannuation

The current system will be become more and more expensive as people live longer.

### 4. Trade-offs and ideas (5 minutes)

If you were in charge of New Zealand for the next 40 years, what - if anything - would you do about the superannuation issue?

## 5. KiwiSaver (5 minutes)

Do they know how KiwiSaver works? Can they explain it?

Explain KiwiSaver:

- KiwiSaver is voluntary
- Contributions are deducted from your pay at the rate of either 3%, 4% or 8% (you choose the rate) and invested for you in a KiwiSaver scheme
- Your employer also puts in at least 3%
- There is a \$1000 "kick-start" from the government, as well as regular contributions from employers and an annual member tax credit paid by the government.
- People can make an early withdrawal of part (or all) of your savings if they're buying their first home, moving overseas permanently, suffering significant financial hardship or seriously ill

What do you think about it?

## 6. Details of proposed "universal savings plan" (5 minutes)

Explain the proposed USP, and start by calling it KiwiSaver Plus: it's no longer optional for people and more gets more paid into it (5% for each of employers and employees, not the minimum of 3% it currently is - though some people are paying 8%)

- A 10 year period to slowly bring it in, at the rate of 1% a year, split between the employee and employer. For most people this would be an increase each year of about \$4 or \$5 a week - a bit more than a cup of coffee each week
- This could mean that any wage increase you get each year might be reduced
- Top-ups for people who don't earn enough over the course of their lifetime (mainly people who take time out for families, and very low income earners)
- Very low income earners (about \$25k or less) are exempt
- A capital guarantee on KiwiSaver contributions, though there would be a cost to this
- No changes to NZ Super for those in or close to retirement

- If you delay retirement past 65, the money you get once you do retire would be greater - at least twice the level of NZ Super
- Some facility to get some money out early, like for the deposit to a house or a business, or for education (student loans) but most people would leave most of the money there until they retire
- If you die, your family gets the money
- Private providers (vs KiwiBank or govt)
- No lump sum at 65, although the excess (after purchasing a fixed term pension) could be used in any way you like

Initial impressions? Good points? Bad points?

Scale of 1 to 10? Change vote? Vote against it?

## **7. Questions and answers (5 minutes)**

This will be a tricky part of the interview where we go back and forth, me answering their questions without being seen to be trying to sell it.

Once we reach a natural end point, I'll get them to re-assess what they think of it on the **1 to 10 scale**.

Then I'll ask them about what parts of the argument made the most difference to them. What are they still not convinced about?

## **8. Finish**

## Recruitment guide

*This is a very short survey about savings and retirement.*

*Depending on your answers, you may be asked for a longer interview (which you'd get paid for) if you want to take part.*

*Here are a few questions to see if you're the type of person we'd like to talk to.*

**Q1. Are you currently in paid employment?**

### Single response only

- Yes, and I employ people..... 1 ✓
- Yes, I am self-employed (with no staff)..... 2 ✓
- Yes, I work for someone else for money ..... 3 ✓
- No ..... 4 ✗

**Q2. Which of these best describes how much you have left over at the end of each week?**

### Single response only

- It's a real struggle each week to make ends meet ..... 1 ✓
- Things are tight, but we're doing okay ..... 2 ✓
- We generally have something left over..... 3 ✗
- We have more than enough left over each week..... 4 ✗
- Prefer not to say..... 9 ✗

**Q3. How much have you saved in the last year? (Not including any increase in value of property or other assets)**

### Single response only

- Nothing, or almost nothing ..... 1 ✓
- Under \$5000 ..... 2 ✓
- \$5000 or more..... 3 ✗
- Prefer not to say..... 9 ✗

**A tick means they MUST answer this way, and a cross means they MUST NOT**

**New page for people who don't qualify**

*Thanks for your time and help with this survey. Unfortunately we're looking for people who are in paid employment but find it hard to save for whatever reason.*

*Thanks again - we appreciate your time and interest.*

*If you want to know more about this study, please contact Andrew Stevenson either by email [andrew.stevenson@tasmanresearch.co.nz](mailto:andrew.stevenson@tasmanresearch.co.nz), or by phone 021 464 307*

**New page for people who qualified so far**

*Some countries (such as Australia) have a universal savings plan, where both an employee and an employer both put money into a retirement fund.*

*KiwiSaver is similar to this, but the amount is relatively small, and it's optional.*

*Some people in New Zealand think we should have a universal savings plan, where all employees have to contribute. It could be brought in slowly, over 10 years, and eventually everyone would pay into it - 5% of their wages, and their employer would also put in 5%.*

*This retirement fund could be accessed before retirement for certain things (for example, buying a first house, buying a business, or tertiary education) but generally it's left to build up until someone retires.*

*New Zealand Superannuation would still be available at 65, but this extra money would also be available.*

*People who don't earn enough over their lifetime (perhaps because they take time out to raise a family) would have their amount topped up so they still got a minimum amount in addition to New Zealand Superannuation.*

**Q4.** *What do you think of New Zealand introducing a universal savings plan over 10 years, where all employees have to contribute? Eventually all employees put in 5% of their wages, and their employers also put in 5%*

**Single response**

|   |   |   |
|---|---|---|
| It's a terrible idea and I'd oppose it.....   | 1 | x |
| It's probably a good idea for New Zealand, but not for me and so I'd oppose it..... | 2 |   |
| It's a good idea and I'd support it, with some reservations.....                    | 3 |   |
| It's a good idea and I'd fully support it.....                                      | 4 | x |
| I don't know but I'm leaning towards opposing it.....                               | 5 |   |
| I don't know but I'm leaning towards supporting it.....                             | 6 |   |
| I'm neutral at this stage .....   | 7 |   |
| I really don't know .....   | 9 |   |

**New page for people who have strong opinions about this universal savings plan.**

*Thanks for your time and help with this survey. Unfortunately we're looking for people who don't have a strong opinion on a universal savings plan.*

*Thanks again - we appreciate people helping us inform New Zealand's decision-makers about what the people of New Zealand think.*

*If you want to know more about this study, please contact Andrew Stevenson either by email [andrew.stevenson@tasmanresearch.co.nz](mailto:andrew.stevenson@tasmanresearch.co.nz), or by phone 021 464 307*

**New page - for those people we're interested in**

*Thanks for your time and help with this survey.*

*You're just the type of person we'd like to interview.*

*The interview would be at a time and place of your choosing (home, work, cafe - whatever suits - though a quiet place is better) and over the telephone is fine too. It needs to be conducted in the next few weeks (before Sunday 23 June) and can be during the day or evening, weekday or weekend.*

*The interview would take about 45 minutes and you'd get \$50 cash for your time. The topic of the interview is about savings and retirement.*

*The interview will be conducted by an independent researcher and there is no selling involved, though we will be asking some personal questions about your own savings, and ideas around retirement.*

*The results of this study will be used to help plan New Zealand's future, so it's a very important study.*

***If you're interested***, please let us know your contact details and someone will be in touch.

Name \_\_\_\_\_

Email address \_\_\_\_\_

Daytime phone number (or mobile) \_\_\_\_\_

***If you're not interested*** - thanks anyway and you can just close the survey.