

NZ Funds joins ring

By [Maria Slade](#)

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A new player enters the KiwiSaver market next week with the launch of a scheme by independent investment manager NZ Funds.

It brings the number of financial institutions now offering the retirement savings product to 34, including the six government-appointed default providers. More than 1.5 million New Zealanders have joined KiwiSaver so far.

CEO Richard James said NZ Funds had waited until people had saved enough to start taking their accounts seriously.

"We made a deliberate choice when KiwiSaver launched three years ago not to launch until the average account size got to \$10,000."

Half of savers had not made a decision on which scheme to invest in but had been enrolled automatically or allocated to a provider by their employer, he said.

A recent survey commissioned by the Inland Revenue Department showed that 40 per cent of savers did not even know which fund they were invested in.

NZ Funds said fund managers should help investors choose the right scheme to be in. Staying in a default scheme would produce a return only marginally better than cash, he said. "That's a problem."

"What we are trying to embed in our scheme is a degree of automation of investment decision-making over time."

NZ Funds would sell KiwiSaver through a network of 100 financial planners. Although planners charged fees for their advice on most other NZ Funds products, they would earn a commission on KiwiSaver because it was hard to structure a fees-only remuneration system around it, James said.

Andrew Gawith, executive director of rival independent KiwiSaver provider Gareth Morgan Investments, said he would be surprised if NZ Funds was offering a type of fund that didn't already exist.

"From what I can see, just about every angle has been covered."

Sam Stubbs, head of investment management for default provider Tower, said that unless they were offering a unique proposition smaller KiwiSaver providers would struggle.

KiwiSaver was a low-cost business that required scale to make a profit for the provider. Some larger providers had still not made a dollar.

"KiwiSaver has changed the rules of investment management in this country and it's very much to the benefit of the consumer."

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