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A pat on the back for the 1.2 million employed New Zealanders who since 2007 have joined KiwiSaver. In so doing they have been prepared to take a near term pay cut to get on the right track towards accumulating personal retirement savings.

The launch of KiwiSaver marked the end of a near 20 year hiatus in the Government sponsoring of a standard retirement savings vehicle. Collectively, we may have lost nearly two decades in personal preparation for retirement income funding, however the above forecast take-up of KiwiSaver since its 2007 launch indicates that the scheme is successfully filling the demand for a simple, low cost and competitive retirement savings scheme.

"I've enrolled into KiwiSaver. Great. Retirement's all set."

With over 50% of KiwiSaver members enrolled without making a fund or scheme choice – mostly investing in a default fund – one could be forgiven for believing that a large proportion of KiwiSaver members, KiwiSaver participation alone will enable them to live the retirement lifestyle of their aspirations.

This view reflects the complacency risk observed in more mature retirement savings markets such as the US and Australia where the average retirement savings account size for those 55 years+ is well below what will be needed to fund their retirement.

Should KiwiSaver members replicate the complacency observed offshore much of the theoretical benefits KiwiSaver might deliver could be dissipated. 'The success of KiwiSaver in stimulating members... will depend to a large extent on the quality of financial advice, fund reporting, education and information resources made available to them.'¹

Getting it 'right' is becoming ever more critical with 2011 marking the 1st year that New Zealand's baby boomers reach the entitlement age for NZ Superannuation (NZS).

Consider the combined effect of the following demographic trends occurring in New Zealand;

- The longevity of today's average 65 year old is now predicted to be 87 years and with 1 person in a couple of average expected to live another 5 years,
- The proportion of the population who are over 65 years age is forecast to grow by 50% over the next 20 years,

It should come as no surprise that the Retirement Commission in their 2010 Review of Retirement Income Policy called for a reduction in the NZS entitlement in order to keep it both universal and affordable.

So with it inevitable that today's workers cannot expect to rely on NZS for their retirement income to the same degree as today's retirees, ensuring you have made adequate private provision becomes commensurately more important.

Signing up for KiwiSaver is just 1 of 5 required steps we believe are required to effectively plan and prepare your retirement finances the others being;

1. Ensure you are in a KiwiSaver fund which matches your investment horizon and risk tolerance.
2. Work out in today's \$ your future retirement household annual expenditure level.
3. Calculate the accumulated assets (your 'wealth target') you will require in today's \$ to fund your retirement expenses beyond what NZS can cover.
4. Work out how you'll accumulate sufficient wealth to reach your wealth target.

Join the pack. A recent survey reported 42% of people aged 45-59 had not started to financially plan for their retirement.²

(1) Mixed messages: The future direction of New Zealand's retirement income policies, Roger Hurnard p.16, July 2011

(2) Nielsen survey of 400 New Zealanders aged 45-49.

So how can KiwiSaver members on the wealth accumulation ladder conveniently and cost effectively access the insights and technology required to make sound financial decisions?

The more developed offshore retirement markets have come to the conclusion that the workplace is the most logical place to deliver financial guidance programmes.

Why? Because it's convenient for employees. They're also more receptive to structured learning in the workplace rather than in their leisure time. Scheduled appropriately, it can be cost effective for employers with their payback in the form of a more loyal and productive workforce more than outweighing the programme's delivery costs.

As has occurred in more mature retirement markets, we anticipate quality employers in New Zealand will increasingly see both the need and logic of facilitating the delivery of financial guidance programmes in their workplace to their most valuable asset – their employees.

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(2) Nielsen survey of 400 New Zealanders aged 45-49.

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