

## Media Statement

### Retirement Commission

6 April 2004

## New Zealand retirement system world leader

The Retirement Commissioner, Diana Crossan told a gathering of the financial services sector at the Super Funds Summit in Wellington today that New Zealand's retirement system is one of the best in the world.

She said recent lobbying from industry members calling for both tax incentives and compulsion were unhelpful.

"Such self-serving contributions to the savings debate chip away at the industry's credibility, and the facts.

"New Zealand's retirement income policy is well designed and can withstand the adjustments that will inevitably be required as the population ages," she said.

"International commentators are taking notice of New Zealand's approach to retirement income policy, because it is straightforward and fair," said Ms Crossan.

"The one advantage of the New Zealand superannuation scheme is that it provides a retirement income which is independent of a person's lifetime income. This is particularly important for New Zealand women.

"This means our system does not favour high income earners or other groups. It provides people with a fundamental level of protection. No matter what happens, there will be a basic income at retirement.

Ms Crossan said that, like other countries with an ageing population, New Zealand could not afford to be complacent.

"There are challenges ahead, but it is certainly not a crisis. Unlike many countries facing similar issues, fiscal pressures are not immediate for New Zealand. We have a 'window' before our baby boomers start to retire. The oldest baby boomer is now aged 58.

"The challenge is to have an open and informed discussion about future retirement provision that does not degenerate into divisive debate that characterised much of the discussion in the 1990's.

"Most political parties are saying that the New Zealand Superannuation (NZS) entitlements of current retirees and those close to retirement, are secure at current

levels. This means that those who should be participating in the discussion are younger people who will be affected by any change.

Ms Crossan said the discussion needs to focus on future adjustments that are appropriate, equitable, affordable and sustainable. These adjustments include: maintaining NZS for future retirees at current levels but increasing taxes and/or reducing expenditure, or considering the age of NZS entitlement, or changing the way NZS rates are set, and a targeted NZS.

"Another challenge is how we make savings issues important enough for middle income New Zealanders to effect changes. Most New Zealanders have some capacity to save for retirement - and most are doing so. But of those who do not, many are likely to experience a significant fall in living standards on retirement. NZS will provide them with a basic income only, said Ms Crossan.

"Put more bluntly, the question I often ask people is whether they are prepared to live on just over \$12,500 per annum (single, living alone rate of NZS) when they retire.

The Retirement Commissioner mentioned a number of risks and opportunities that may impact on future cohorts' savings behaviour and living standards in retirement, which require monitoring, and further analysis and research.

"An increasing proportion of people at retirement age, along with factors such as student loans hindering ability to save, and changes in home ownership rates, may cause a review of New Zealand's retirement policy in the longer term.

"As a result, the Retirement Commission is making a stronger commitment to research through its dedicated Retirement Income Research Centre. This will provide both policy-makers and individuals with high quality information. This will involve the launch of a new website with research relevant to New Zealanders, links to international information and research scholarships.

"I would like to see the industry contributing to sound research that will add meaningfully to understanding about retirement income. I am pleased to say that we are currently exploring opportunities with some parts of the industry to undertake joint research with the Commission's Retirement Income Research Centre."

Ms Crossan also highlighted the need for a rise in overall standards of financial advice, supporting the call for the sector to set up a self-regulatory system for financial advisors to better help and protect customers.

"I am concerned that there are no industry wide codes of conduct, disciplinary procedures and standards for advice, that advisers cannot be easily expelled from the industry, and that there are no dispute resolution procedures for advisers outside the court system.

"Strong self-regulation of financial advisors would make a significant contribution to the development of a 'saving culture'," she said.

"Without a doubt, New Zealanders need help to make sound financial decisions that will give them more choice and flexibility now and in the future.

A full copy of the Retirement Commissioner's speech is available on [www.retirement.org.nz](http://www.retirement.org.nz)

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