

Women in Super

Wāhine Whakamoamo

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28 April 2006

Clerk of the Committee
Finance and Expenditure Committee
Select Committee Office
Parliament Buildings
WELLINGTON

SUBMISSION ON THE KIWISAVER BILL

Please find attached 25 copies of the submission by Women in Super on the KiwiSaver Bill.

On behalf of Women in Super

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SUBMISSION

To the Finance and Expenditure Committee

On the KiwiSaver Bill

Introduction

- 1 This submission is from Women in Super.
- 2 We do not wish to appear before the Committee to speak to our submission.
- 3 Women in Super is a non-profit organisation with voluntary membership. It was established to represent women's interests in superannuation and encourage women to take a more active role in developing a long-term savings plan. We currently have 80 members across New Zealand.

General/summary

- 4 Women in Super wishes to make a number of comments on the Bill, especially in terms of its impact on women. We support the general intent of the Bill as we believe it will provide a framework for higher levels of saving amongst all New Zealanders, including women. However, there are some points where we would like to see changes and/or clarification to the Bill as currently drafted.

Clause 192 and Schedule 1, Clause 1

- 5 Women in Super supports the provisions in the Bill that provide for fees subsidies and that trustee fees must not be unreasonable. A large percentage of women are on low incomes, and therefore able to invest only small amounts. Fee levels are therefore of particular importance for women.

Clauses 25, 28 and 83

- 6 Women in Super supports the provision in the Bill allowing persons who are not employees to opt in to KiwiSaver, as this will include many women who are not in paid employment.
- 7 We also support the flexibility of the Bill in providing that other people may contribute on behalf of, for example, their spouse or partner, and the absence of the requirement that contributions be at any specified rate. We assume this means that contributions can be made at any chosen rate, but consider that Clause 83 should be amended to make this clear.

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Clause 4, definition of 'salary or wages'

- 8 We do not consider that extra pay should be included in the definition of salary or wages. This is a particular issue for women who work in part-time jobs on public holidays and at weekends. The extra income offered by overtime rates allows these women to meet immediate financial needs. To require KiwiSaver contributions on extra pay would defeat this objective and is potentially a disincentive to becoming a member of a KiwiSaver Scheme.

Clause 86

- 9 We support the provision in Clause 86 for a person to take a contributions holiday at any time after 12 months membership.
- 10 In addition, we consider that greater flexibility needs to be introduced in relation to contributions holidays in the initial 12 months where a person undergoes a change in circumstances – for example pregnancy. We consider that a contributions holiday should be available to all pregnant women and women on maternity leave. Even where a pregnant woman does not meet the serious financial hardship criteria during her pregnancy, this is a time when she may need to increase her non-retirement savings to avoid financial hardship once her baby is born.

Schedule 1, Clause 3

- 11 We consider that there should be greater flexibility in terms of withdrawals prior to reaching the age of entitlement to New Zealand Superannuation.
- 12 Many women have broken employment patterns due to their role raising children and/or acting as care-givers. In the absence of a steady income, they may have a greater need to access savings throughout their lives. Women will be more likely to contribute to KiwiSaver if they believe they will have the flexibility to access their savings should their circumstances change.
- 13 The financial hardship provisions in Schedule 1, Clauses 9 to 11 represent an extreme position. We consider that the Bill should make provision for limited access in a wider range of circumstances. For example, a new clause could be added to Schedule 1 allowing a withdrawal of up to 50% of accumulated contributions at any point after 5 years of making contributions.

Schedule 1, Clause 7

- 14 We consider Schedule 1, Clause 7 should be amended to allow withdrawals of member contributions for the purchase of a new family home following a divorce as maybe required (subject to appropriate income/capital value thresholds as for other first home purchases).

Clause 17

- 15 Clause 17 requires employees to provide their new employer with their contributions holiday letter, or their tax code declaration for their existing KiwiSaver scheme, as appropriate.

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- 16 We consider it unrealistic to believe that all employees will keep the relevant documentation. In our view, it would be more sensible for IRD to provide this information to the employer on request when the employee commences employment with the new employer.

Financial advice and financial education

- 17 One notable absence in the Bill concerns the provision of financial advice. This is of particular concern in relation to women because they generally have a lower level of financial literacy than men. For example, the recent ANZ-Retirement Commission survey showed that 63% of women had 'low financial knowledge' as opposed to only 37% of men.
- 18 We understand that KiwiSaver is aimed at lower income, less expert investors who are not currently making adequate provision for their retirement. These individuals are also likely to have low financial knowledge. Accordingly, we consider that there is a strong risk of confusion and misinformation amongst investors if some provision is not made in the Bill for financial advice to be made available.
- 19 One option would be a stronger role for financial advisors. However, we would also like to see a greater level of government support. In particular, we think that provision of a government-funded information helpline would be very valuable.
- 20 In the absence of financial advice or information helpline provisions, employees will have only their employers to turn to for advice. There is the risk of a number of negative outcomes from this approach. Employers might give unsound advice as they are not qualified to give advice. Alternatively, they might refuse to give advice leaving employees unsure as to what they should do. This has the potential to result in a negative outcome for the KiwiSaver Member by resulting in poor investment decisions, therefore reducing the level of asset accumulation and retirement benefits available.
- 21 In this respect, women outside of the paid workforce would not have access to such employer assistance. A government-funded information helpline would therefore be beneficial for women.