

# ACT Superannuation Policy

## **Goal**

All New Zealanders are able to save enough during their working life to be able to comfortably look after themselves in retirement.

## **Background**

- 20 percent of adult New Zealanders have no savings; in fact they owe more than they own.
- Majority of the current retired population have not saved during their working life, they depend totally on the state for their income.
- Huge ownership (capital) divide within New Zealand society.
- The number of workers to retirees is shrinking rapidly.
- Taxes for superannuation and healthcare exceed 50 percent of direct personal taxation.
- Unfunded benefits exceed 100 percent of GDP.
- Incentives to save are poor, those showing self-reliance are often penalised.
- To many, dependency is reality; while personal responsibility is a harsh fantasy.
- The current system encourages many to try to get a free ride at the expense of others.
- The aim is to get more out than we put in.
- New Zealanders have no control over what or how their money is spent.
- Sense of hopelessness prevails when it comes to expecting people to provide for themselves.
- The number of people retiring each year will exceed 50,000 by 2025.

## **Principles**

### **Opportunity**

Enable all New Zealanders of working age to open a savings account in their own name.

### **Equality**

Every person, regardless of family income or current circumstances (e.g. unemployed), should receive the same tax reduction/credit from the government

### **Choice**

Individual New Zealanders should have ownership and control over their retirement fund allowing them to accumulate wealth and, if they so decide, pass it on to their heirs.

### **Open marketplace**

Retirement provision (income and healthcare) like any other business should be provided in an open marketplace where individual New Zealanders select the type of savings scheme best suited to their individual and family needs.

### **Transition**

Will take into account that the change from one system in retirement to another will take 40 years and ensure that during this time, retirees' income gradually increases year by year over and above what it would be under the current system.

## Realistic

Reform must be cost effective and reduce the unfunded liabilities of the current system.

## Voluntary

Participation in the new system for existing workers should be voluntary, but those choosing not to join would continue to pay current levels of tax i.e. not receive tax reduction or tax credit that goes to those who do join.

## Security

Benefits of current retirees and those close to retirement must be protected.  
Rate of return on investments made must guarantee an adequate minimum income in retirement.

## Regulation

Retirement authority would approve companies wishing to enter retirement savings business.

## Income

New Zealanders can enjoy a level of income in retirement greater than what is currently the case.

## Policy Detail

- The transition to the new retirement system will take 40 years when 90 percent+ of New Zealanders are expected to have sufficient savings to provide for themselves.
- It will be available to New Zealand citizens aged 18 – 65 years of age.
- During the transition, retirees will receive two pensions. One based on the fund accumulated via tax savings each year and the second a percentage of the existing government benefit, dependent on the number of years individual has been eligible to be a member of new retirement system. See Superannuation Policy Schedule, chart 2.
- Minimum combined benefit during transition to be at least what people get today but in most cases will be considerably more.
- Capital after 47 years in the workforce for those who make no drawdown on that capital would be approximately \$1.8 million or \$850,000 in real terms. See Superannuation Policy Schedule, chart 1.
- Government will contribute \$30.80 a week, the individual to contribute \$30.80 a week and the employer to contribute \$15.40 a week, therefore total savings \$77.00 a week, \$4,000 a year.
- Low-income workers will be able to phase in their contribution with government top-up available.
- Will be paid for by a mix of the following:
  - Money currently being put aside for retirement fund \$2 billion.
  - Money currently being used to subsidise KiwiSaver scheme \$1½ billion.
  - Interest on current fund already put aside for future retirees \$1 billion
- Must be invested with organisations that have retirement authority approval.
- A working partner can make contributions on behalf of their partner.

If you believe that every New Zealander should be able to retire comfortably, not just the wealthy, then **give ACT your Party vote**, *for a more secure retirement.*

# ACT Superannuation Policy - Schedules

Chart 1 - Superannuation - Married (both partners qualify)

Retirement Superannuation & Healthcare Fund				
Contributions at \$4,000 a Year Real & 5% Interest (Real) 2% Inflation)				
1 Year	Start Year	Contribution	7% Interest	Balance end year
		\$4,000 Real Each Year		
1		4,000	280	4,280
2	4,280	4,080	440	8,800
3	8,800	4,160	760	13,720
4	13,720	4,240	1,110	19,070
5	19,070	4,320	1,480	24,870
6	24,870	4,400	1,890	31,160
7	31,160	4,480	2,340	37,980
8	37,980	4,570	2,810	45,360
9	45,360	4,660	3,340	53,360
10	53,360	4,740	3,900	62,000
11	62,000	4,830	4,510	71,340
12	71,340	4,930	5,160	81,430
13	81,430	5,030	5,880	92,340
14	92,340	5,130	6,640	104,110
15	104,110	5,230	7,470	116,810
16	116,810	5,330	8,370	130,710
17	130,710	5,440	9,340	145,690
18	145,690	5,550	10,400	161,840
19	161,840	5,670	11,530	179,240
20	179,240	5,790	12,750	197,970
21	197,970	5,920	14,070	218,140
22	218,140	6,050	15,490	239,850
23	239,850	6,190	17,010	263,200
24	263,200	6,330	18,650	288,310
25	288,310	6,480	21,110	316,010
26	316,010	6,630	22,360	345,090
27	345,090	6,790	24,400	376,350
28	376,350	6,950	26,590	409,940
29	409,940	7,120	28,950	446,030
30	446,030	7,290	31,480	484,790
31	484,790	7,470	34,190	526,400
32	526,400	7,660	37,110	571,080
33	571,080	7,850	40,250	619,050
34	619,050	8,050	43,610	670,530
35	670,530	8,260	47,210	725,770
36	725,770	8,480	51,090	784,950
37	784,950	8,700	55,240	848,720
38	848,720	8,930	59,710	917,130
39	917,130	9,170	64,500	990,500
40	990,500	9,420	69,650	1,069,200
41	1,069,200	9,680	75,170	1,153,600
42	1,153,600	9,950	81,080	1,244,100
43	1,244,100	10,230	87,430	1,341,140
44	1,341,140	10,520	94,220	1,445,160
45	1,445,160	10,820	101,510	1,556,670
46	1,556,670	11,130	109,320	1,676,190
47	1,676,190	11,450	117,710	1,804,300

Chart 2

(1)				(2) Plus likely capital sum earned to date	
Years to retirement	Age	Reduction in pension	Level existing pension	Capital sum	
				Individual	Married couple
1	63	Zero	100%	4,280	8,560
2	62	"	100%	8,800	17,600
3	61	"	100%	13,720	27,440
4	60	1%	99%	19,070	38,140
5	59	2%	98%	24,870	49,740
6	58	3%	97%	31,160	62,320
7	57	4%	96%	37,980	75,960
8	56	5½%	94½%	45,360	90,720
9	55	7%	93%	53,360	106,720
10	54	8½%	91½%	62,000	124,000
11	53	10%	90%	71,340	142,680
12	52	12%	88½%	81,430	162,860
13	51	14%	86%	92,340	184,680
14	50	16%	84%	104,110	208,220
15	49	18%	82%	116,810	233,620
16	48	20%	80%	130,710	261,420
17	47	23%	77%	145,690	291,380
18	46	26%	74%	161,840	323,680
19	45	29%	71%	179,240	358,480
20	44	32%	68%	197,970	395,940
21	43	35%	65%	218,140	436,280
22	42	39%	61%	239,850	479,700
23	41	43%	57%	263,200	526,400
24	40	47%	53%	288,310	576,620
25	39	51%	49%	316,010	632,020
26	38	55%	45%	345,090	690,180
27	37	59%	41%	376,350	752,700
28	36	63%	37%	409,940	819,880
29	35	67%	33%	446,030	892,060
30	34	71%	29%	484,790	969,580
31	33	75%	25%	526,400	1,052,800
32	32	79%	21%	571,080	1,142,160
33	31	83%	17%	619,050	1,238,100
34	30	87%	13%	670,530	1,341,060
35	29	91%	9%	725,770	1,451,540
36	28	95%	5%	784,950	1,569,900
37	27	99%	1%	848,720	1,697,440
38	26	100%	-	917,130	1,834,260

**Note:** (1) Retiree cannot get less than what they receive today.  
(2) Full health support in retirement given to people in this category.

- (1) Sets out the reduction in existing government pension that will take place dependent on the number of years you have until your retirement.  
(2) Sets out likely capital sum you will have available to you from your superannuation savings.