

Kiwis want compulsory super - survey

ELOISE GIBSON www.stuff.co.nz

Last updated 10:05 18/08/2011

Opinion poll

Do you think KiwiSaver should be compulsory?



NEST EGGS: Experts worry that many younger people are in the wrong scheme because they have not made a choice.

More than half of New Zealanders think KiwiSaver should be compulsory, a new survey has found - despite many being unsure about the finer points of their own investments.

A UMR Research survey of around 1,000 people found that 57 per cent thought KiwiSaver should be compulsory, with 27 per cent saying that everyone aged 18 and over should be in it.

The remaining 30 per cent thought it should be compulsory only for working people.

At the same time the findings revealed many people did not know where their money was invested.

More than a quarter of members didn't know if they were in a conservative, balanced or aggressive fund, a decision that has a big bearing on potential risks and returns.

Under KiwiSaver rules, people who don't make a choice are automatically enrolled in a default conservative scheme.

However some experts worry that many younger people, in particular, are in the wrong scheme because they have not made a choice.

The survey was commissioned by the Financial Services Institute of Australasia (Finsia) and New Zealand's Institute of Financial Advisers.

It found about quarter of people aged 18-65, or roughly half of Kiwisavers, were not saving for their retirement until they joined the scheme.

Finsia chief executive Russell Thomas said the survey showed people would support the so-called "soft compulsion" option being considered by the Government, whereby everyone would be enrolled and given the chance to opt-out.

"The fact that 57 per cent of those surveyed expressed strong support for making KiwiSaver compulsory demonstrates an appetite and willingness for the proposed reforms to the scheme recently proposed by the Prime Minister," said Thomas.

The survey found about 28 per cent of members joined primarily to get the Government incentives, with a further half saying the main reason was "the importance of saving for retirement."

There was some evidence that company collapses during the global financial crisis had made New Zealanders cautious about taking on risk.

Only 22 per cent of those surveyed were willing to take on high risks or possibly lose some of their capital in order to get higher than average returns.

Forty three per cent said they would accept average ups and downs in their investment for an average return, with the rest wanting low or very low volatility.

Perhaps not surprisingly, given KiwiSaver's newness, the survey revealed many people had sizeable nest eggs elsewhere, often in bank accounts, term deposits or invested in homes or shares.

Eighteen per cent of KiwiSavers had switched providers since joining - but only a small number did so to chase higher returns. The main reason given was the convenience of having their Kiwisaver account with their usual bank.

The findings were analysed by Dr Claire Matthews of Massey University, who said political support from both main parties was needed to boost public confidence in the scheme.

When people were asked about changes to KiwiSaver in the 2011 Budget, most thought the scheme had been weakened. Budget snips halved the Government's annual subsidy and upped worker and employer payments.

However the overwhelming majority of savers (84 per cent) did not plan to change their contributions as a result.

Asked why they hadn't joined, many non-members (close to 30 per cent) expressed worries that future Governments would abandon the scheme or change the rules again.

More than 20 per cent said they were not in KiwiSaver because they didn't trust the Government to manage their money - despite the fact that funds are managed by private companies. -