

Private superannuation in New Zealand



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Stats NZ Tatauranga Aotearoa
Wellington, New Zealand

Contact

Stats NZ Information Centre: info@stats.govt.nz

Phone toll-free 0508 525 525

Phone international +64 4 931 4600

www.stats.govt.nz

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Private superannuation in New Zealand

This article looks at private superannuation, one of the ways wealth is distributed in New Zealand.

We explore:

- who had a private superannuation scheme
- how much we had in our schemes
- how we compare with Australia.

Private superannuation schemes looked at are KiwiSaver, and non-KiwiSaver schemes such as the large State Sector Retirement Savings Scheme and Government Superannuation Fund. We do not include New Zealand Superannuation (NZ Super) – the government pension paid to eligible New Zealanders aged 65 years and over (65+).

Data source

Data is from the Household Net Worth Survey, which ran from July 2014 to June 2015. Medians used are for individuals within the specified superannuation scheme. This includes a small number of people in each scheme who had a zero or near zero balance.

Private superannuation becomes more important

In 2014, 650,000 people were aged 65 and over **in New Zealand. That's about 14 percent of our population.** This number is projected to more than double by 2039, to 1,286,000 people, almost one-quarter of the population (Stats NZ, 2014).

People are also living for longer. In 2012–14, a 65-year-old woman could expect to live another 21.3 years, and a man for another 18.9 years. This is up 6.5 years for women and 6.1 years for men since 1950–52, when they could expect to live another 14.8 years and 12.8 years, respectively (Stats NZ, 2015).

With an ageing population, and many people living longer, individual retirement savings are becoming more important. NZ Super may not be enough.

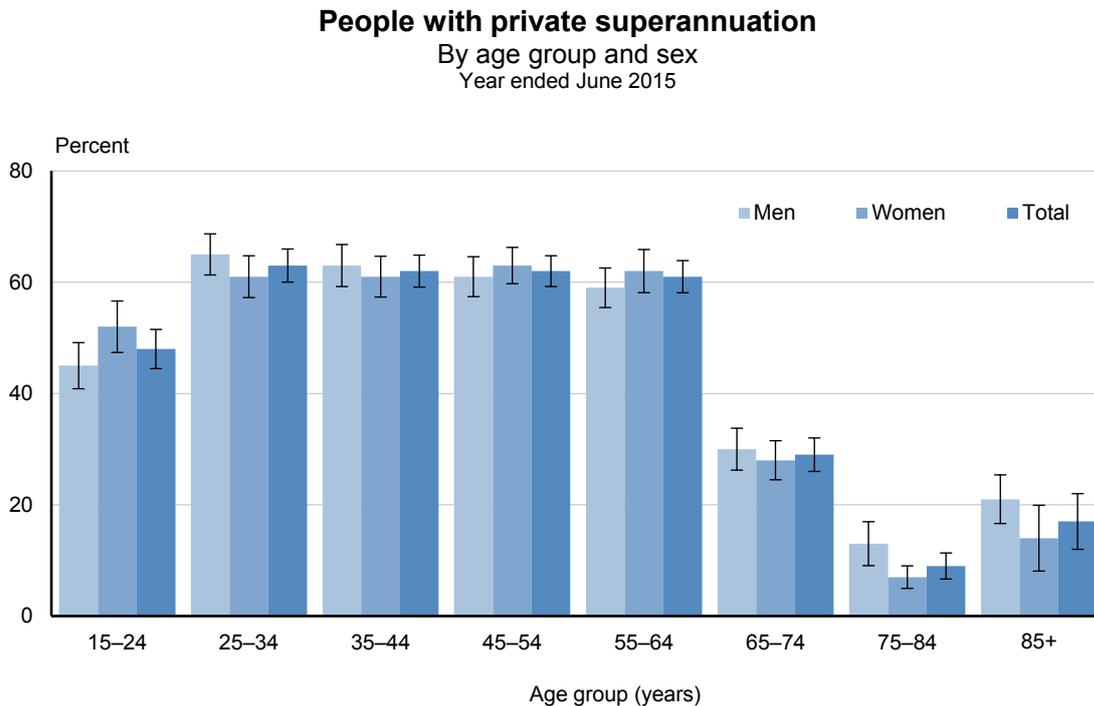
See [Household Net Worth Statistics: Year ended June 2015](#) for more background information about wealth in New Zealand.

Just over half of us are scheming for retirement

Just over half (53 percent) of adults aged 15 years and over (15+) had a private superannuation scheme in the year ended June 2015. Almost half (48 percent) of adults aged 15–24 years had a scheme. This rose to about 60 percent for people aged between 25 and 64 years.

After our traditional age of retirement at 65 years, when people cash in their superannuation schemes, the proportion with a private scheme declined – just 29 percent of 65–74-year-olds had a private superannuation scheme.

Figure 1



Note: Error bars represent variability in estimates.

Source: Stats NZ

This pattern was similar for men and women, with very little difference across most age groups. Only the youngest and oldest age groups showed significant differences. Women aged 15–24 years were more likely than young men to have a superannuation scheme, while men aged 75+ were more likely to have a scheme than women of the same age.

If we consider only employed people, the overall proportion with a private superannuation scheme lifts to 66 percent. While most age groups fitted this pattern, the largest differences were for people aged 15–24 years (up from 48 percent overall to 65 percent for employed people) and 65–74 years (up from 29 percent to 47 percent).

KiwiSaver is our dominant scheme type

KiwiSaver is a voluntary, work-based savings scheme designed to help individuals save for their retirement. KiwiSaver was first introduced in July 2007, and is now the main private superannuation scheme in New Zealand.

In the year ended June 2015, 48 percent of adults aged 15+ (1,711,000 people) had a KiwiSaver superannuation scheme – 92 percent of all adults with a private scheme.

In contrast, only 8 percent of adults had a non-KiwiSaver scheme (15 percent of those with a scheme). A non-KiwiSaver scheme can be either a defined-benefit scheme (where the formula for **defining a member's superannuation is agreed in advance**) or a defined-contribution scheme (superannuation amount depends on how **assets acquired with the member's contributions** perform).

Four percent of adults (125,000 people) had both a KiwiSaver and a non-KiwiSaver scheme.

Table 1

Adults (15+) with private superannuation

By scheme type

Year ended June 2015

Scheme type	No. of people (000)	Percent of total population	Percent of people with superannuation scheme
KiwiSaver	1,711	48	92
Non-KiwiSaver	282	8	15
Both	125	4	7

Note: Percent of people with superannuation schemes doesn't add to 100 as people can have both types.
Source: Stats NZ

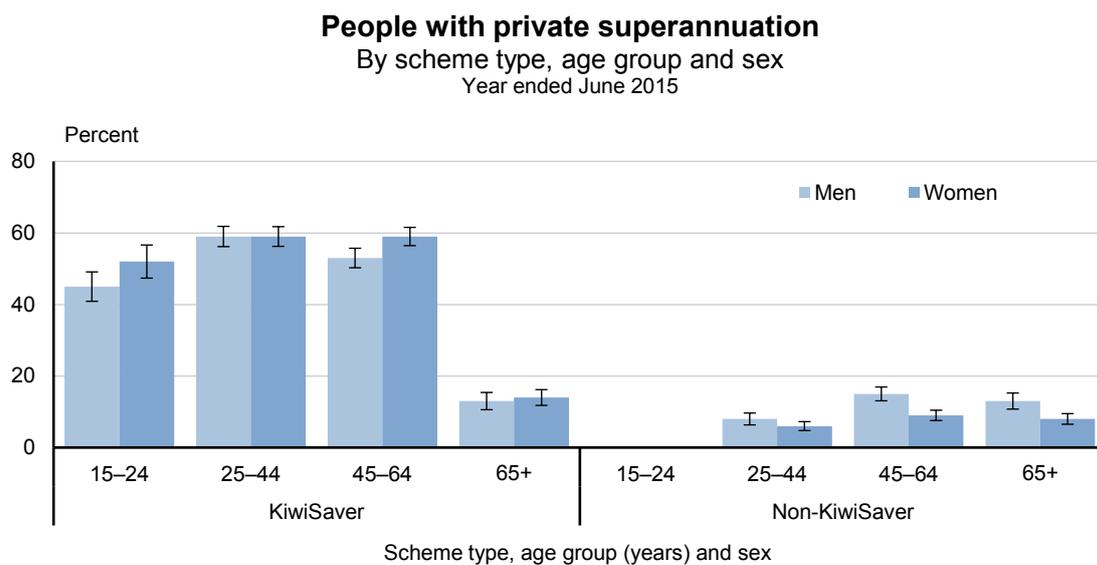
While men and women were equally as likely to have a private superannuation scheme, the type of scheme each had varied.

Women were more likely than men to have a KiwiSaver scheme – 50 percent and 47 percent, respectively. This difference was driven by women in the 15–24 and 45–64-year age groups.

In contrast, 10 percent of men had a non-KiwiSaver scheme and 6 percent of women. This was true across all age groups except the 15–24-year-olds (too few individuals to comment on).

Note: People aged 15–24 years had less access to non-KiwiSaver schemes than previous generations, with many non-KiwiSaver schemes being closed to new members. The Government Superannuation Fund closed to new members in 1992, and the State Sector Retirement Savings Scheme closed to new members in 2008 – after KiwiSaver began.

Figure 2



Note: Non-KiwiSaver for 15-24 years is suppressed. Error bars represent the variability in the estimates. People with both scheme types are included in both.

Source: Stats NZ

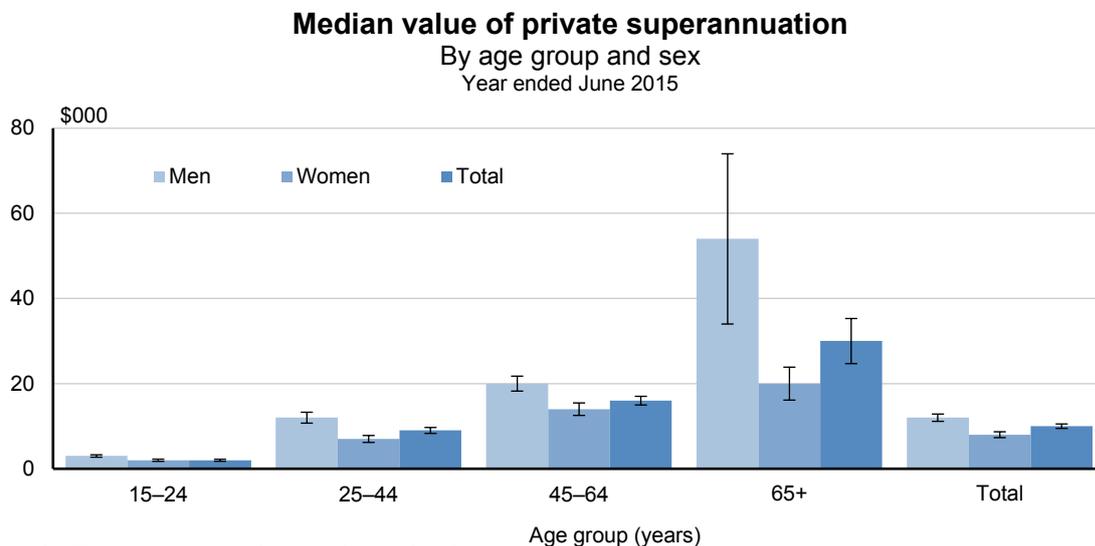
Superannuation value is higher for older age groups

The median value of an individual's total superannuation wealth was \$10,000 in the year ended June 2015. This value increased as people age and ranged from \$2,000 for those aged 15–24 years, to \$30,000 for people aged 65+ years.

While this age pattern was consistent for men and women, there were significant differences in each sex's median values. People aged 15–24 years were the only age group without a statistically significant different median value, at \$3,000 for men and \$2,000 for women.

For the three older age groups (from 25 to 65+ years), men had higher median wealth in their superannuation schemes than women did. The gap was wider with increasing age, peaking in the 65+ age group, where men had a median value of \$54,000 and women had \$20,000 in their schemes.

Figure 3



Note: Error bars represent variability in estimates.

Source: Stats NZ

Non-KiwiSaver schemes' median value greater than KiwiSaver

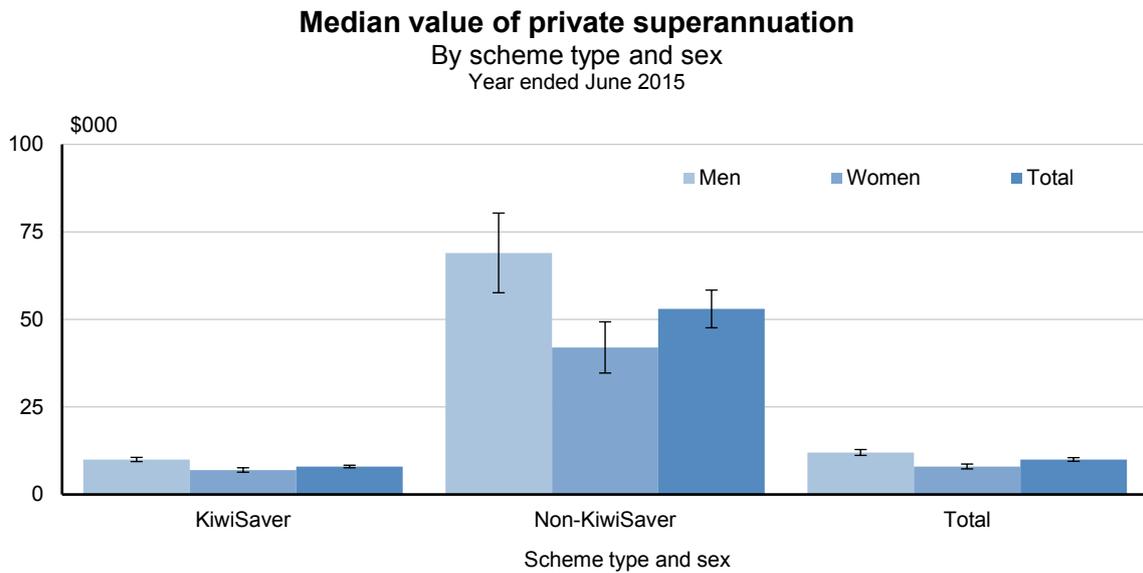
In the year ended June 2015, there was a marked difference in the median values of KiwiSaver and non-KiwiSaver schemes (see figure 4). For non-KiwiSaver schemes the median value was \$53,000 – more than six times that of KiwiSaver schemes (\$8,000).

We would expect a difference in the value of these schemes, for KiwiSaver is just 10 years old on 1 July 2017. Another contributing factor is the difference in contributions to each scheme.

Individuals can only contribute 3, 4, or 8 percent of their before-tax pay to KiwiSaver (KiwiSaver, 2017), while non-KiwiSaver schemes do not have the same limitations. For example, the State Sector Retirement Savings Scheme has no maximum on the amount individuals can contribute from their pay (State Services Commission, 2017).

The overall median value of individuals' superannuation wealth (\$10,000) was more heavily influenced by the value of KiwiSaver schemes, due to many more people investing in these schemes than in non-KiwiSaver schemes.

Figure 4



Note: Error bars represent variability in estimates. People with both scheme types are included in both.
Source: Stats NZ

Sex difference evident in median values

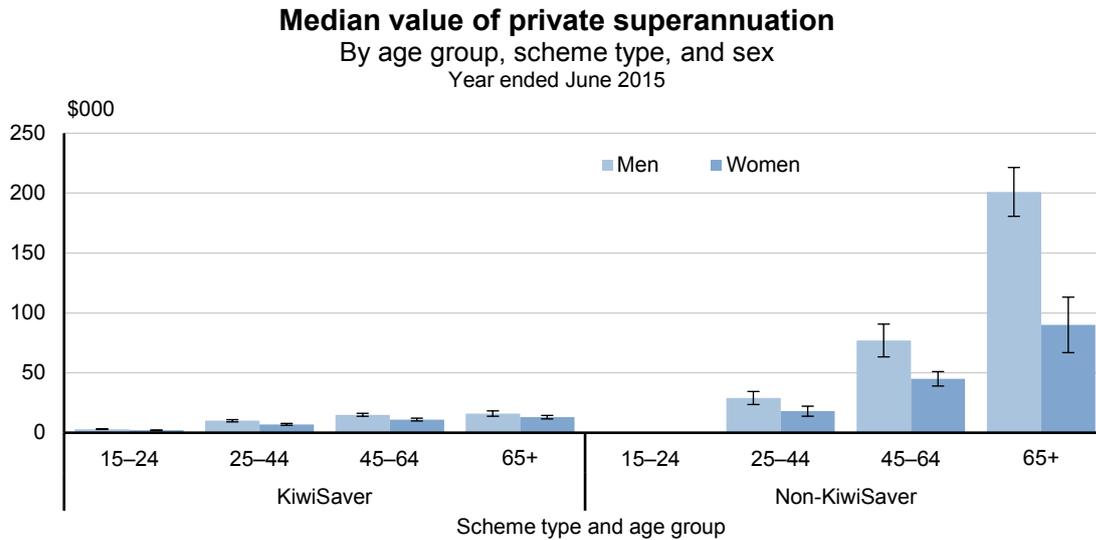
Looking at median values of superannuation schemes by sex, we see that schemes owned by men had higher median values than those owned by women – for both scheme types.

The sex difference was larger for non-KiwiSaver schemes, where men had a median value of \$69,000, **compared with women's \$42,000**. Since men were more likely than women to have a non-KiwiSaver scheme, and non-KiwiSaver schemes had a higher median value than KiwiSaver schemes, men generally had a higher superannuation median value than women.

Other contributing factors to the difference by sex will be the [gender pay gap](#) and the [effect of motherhood on pay](#). **Women's generally lower income** and their breaks in work (and breaks in contributions to a superannuation scheme) will slow the growth in value of their superannuation scheme.

By age, women and men had significant differences in median values in all age groups other than 15–24 years – for both KiwiSaver and non-KiwiSaver schemes. The difference in value for KiwiSaver was quite consistent over the older age groups (25+). However, for non-KiwiSaver schemes, differences in median values for men and women were greater with increasing age (figure 5).

Figure 5



Note: Non-KiwiSaver medians for 15–24 years are suppressed. Error bars represent variability in the estimates. People with both scheme types are included in both.

Source: Stats NZ

How we compare with Australia

Our closest neighbour, Australia, has a compulsory superannuation system. Currently, employers **must pay at least 9.5 percent of an individual's pay into their superannuation** scheme. Individuals can choose to also contribute a percentage of their income into their fund (Super Guru, 2017).

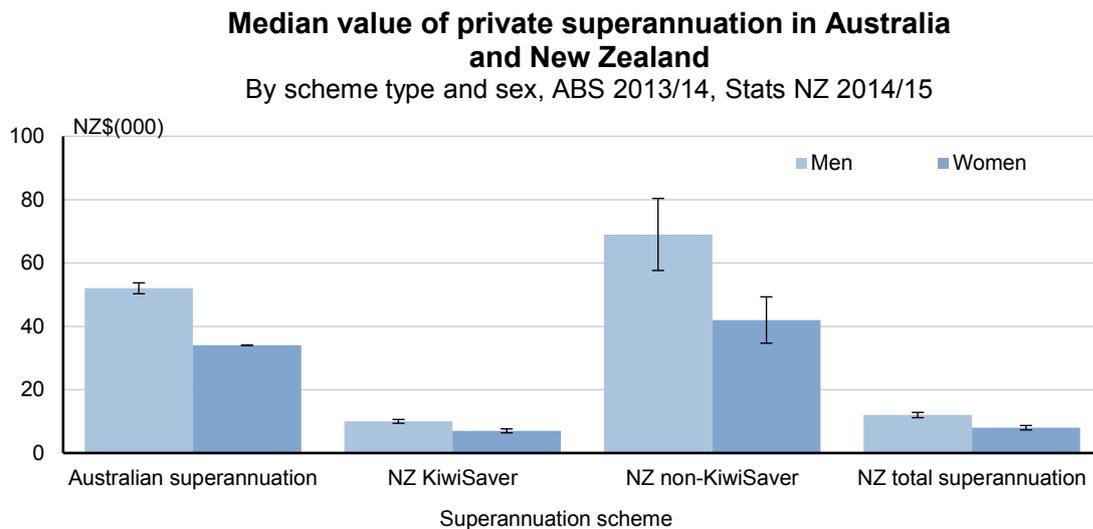
New Zealand's main private superannuation scheme is KiwiSaver. Although individuals are automatically enrolled into the scheme (when they enter the workforce or change jobs), they can **opt out**. Employers pay 3 percent of the individual's pay into their scheme, while the employee can contribute 3, 4, or 8 percent of their income. Individual and employer must both contribute to the scheme if the individual doesn't opt out (KiwiSaver, 2017).

New Zealand and Australia also have a small number of defined-benefit schemes (SuperGuide, 2017). New Zealand has a small number of non-KiwiSaver defined-contribution funds.

[Gender Indicators, Australia](#), shows that in Australia in 2013/14 men and women aged 15+ years had a superannuation scheme with a median value of AU\$46,000 and AU\$30,000, respectively. When converted to New Zealand dollars (using an exchange rate of 1.137) this is about \$52,000 for men and \$34,000 for women (see figure 6).

Australia's median was more than four times the median superannuation value for men and women in New Zealand. In 2014/15, **New Zealand's** median value was \$12,000 for men and \$8,000 for women.

Figure 6



Note: NZ dollars. People with both NZ scheme types are included in both.
Source: Stats NZ, Australian Bureau of Statistics

However, comparing superannuation scheme values between the two countries is difficult, due to the different maturity of the schemes. Superannuation schemes became compulsory in Australia in 1992 (Working in Australia, 2017), while KiwiSaver was introduced in New Zealand in 2007.

Comparing the youngest age group (15–24 years), who have benefited from both **countries'** schemes being in place most of their working life, there is no difference in median value between the countries. In both countries, men and women aged 15–24 years had a median scheme value of NZ\$3,000 and NZ\$2,000, respectively (in 2014/15).

Conclusion

With an ageing population, and many people living longer, individual retirement savings are becoming more important. Over half of **New Zealand's** adults had a private superannuation scheme in the year ended June 2015, the majority of which were KiwiSaver schemes.

Men and women were equally likely to have a private superannuation scheme; however their median values differed. Men had higher median values than women, although for people aged 15–24 years **the difference wasn't statistically significant**. The gender pay gap and the effect of motherhood on pay both contribute to this difference.

While private superannuation schemes are an important part of preparing for retirement, they are just one way that people prepare financially. Research into other assets that people may use to fund their retirement, such as property and investments, would help paint a fuller picture of how New Zealanders are preparing for later life.

More information

Our data is from the Household Net Worth Survey, which ran from July 2014 to June 2015. In the survey, we asked respondents about one to five superannuation schemes.

Defined benefit schemes (a type of non-KiwiSaver scheme where the formula for defining a **member's superannuation is agreed in advance**) were valued by an external adviser who was an actuarial expert. He used the data provided to estimate the net present value of those schemes.

Respondents with a defined contribution scheme (all KiwiSaver and some non-KiwiSaver schemes, where the superannuation amount depends on how **assets acquired with the member's contribution perform**) were asked the value of that scheme. If they did not know, and were still working, we asked for information about their contributions and then calculated an estimate. If the respondent did not know the value, and was not working or was self-employed, we asked them to select a value range from a showcard.

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Further reading

[Household Net Worth Statistics](#) provides a picture of the net worth (wealth) of New Zealanders by looking at their household assets – financial and non-financial – and their liabilities.

[Wealth patterns across ethnic groups in New Zealand](#) looks at differences in net worth (or 'wealth') of different ethnic groups.

[Half of Kiwis in debt, with most debt in properties](#) further explores the debt of New Zealanders.