

KiwiSaver Newsletter – September 2014

Who Owns Your Kiwisaver Scheme?

KiwiSaver is being lauded as a great success by everybody. Admittedly you do hear the odd grumble concerning the low contribution level paid by employers (very low by international standards), or the locked in nature of the scheme until you attain eligibility to NZ Super (currently age 65). Generally however, KiwiSaver has been given a big tick by all of us. However, there is one very big problem with New Zealand's premiere superannuation scheme – New Zealanders don't own much of it!

Readers will remember how indignant we at Rede Advisers were that such large amounts of our hard earned bank profits were disappearing across the Tasman. We have noted, with increased cynicism, that this years bank profits are even higher than last year. We are only consoled by the fact that generally we don't have much choice when it comes to our banks. Most NZ owned banks offer restricted banking services especially for businesses. When it comes to KiwiSaver schemes however, all KiwiSaver schemes are similar.

Here are the facts taken from the latest Workplace Savings NZ data:

- There are 2,299,000 current KiwiSaver members.
- There is \$21,987,000,000 invested into KiwiSaver schemes.
- The average KiwiSaver balance is \$9,564 per member.



These figures aren't too bad considering the scheme has only been going for 7 years and is voluntary. Can you imagine how much money will be invested into KiwiSaver in a few years time when average balances increase towards \$100,000 and KiwiSaver becomes compulsory!

So what is the problem we hear you say? The problem is this:

- Of the 2,299,000 current KiwiSaver members, a mind boggling total of 1,810,000 have elected to place their money with Ozzy or International owned managers. This is 78.73% of all members.
- Of the \$21,987,000,000 invested by hard working Kiwis into a KiwiSaver scheme, a staggering total of \$16,414,000,000 is invested with Ozzy or International owned managers. This is 74.65% of all money invested.

The profits generated by these managers is crossing the Tasman in ever increasing plane loads every year. The exponential nature of KiwiSaver savings means that no matter how big the profits are today, they will be dwarfed into insignificance compared to a few years time. **Perhaps we should rebrand KiwiSaver – OzzySaver?**

So why are Kiwis so generous to our Trans Tasman neighbours? Why are we flocking to Ozzy owned banks and KiwiSaver managers (over 90% of all banks lending is by Ozzy banks, and now almost 80% of all KiwiSaver profits goes to Ozzy managers)? Isn't giving them the Super 15 crown enough?

The reasons are many and varied and are both structural and social in nature.

1. Initially there were only 6 appointed Default Providers when KiwiSaver commenced. 5 of those 6 were Ozzy owned banks and insurance conglomerates.
2. The banks have employed a number of underhand methods to transfer members from other schemes to their schemes. They also have escaped a considerable amount of compliance, and attention from the regulator.
3. Kiwis have inexplicably shown a serious lack of national pride when it comes to where they place their money. For a nation who loves to beat our Trans Tasman neighbours on the sports fields, we seem to roll over meekly when it comes to the financial game.

When it comes to KiwiSaver, we all have a choice. Kiwis can elect to have their money managed by any number of very good Kiwi owned financial management companies, and transferring between schemes is very easy. The KiwiSaver playing field is much more even. We can elect to have our money managed by those big Ozzy banks or insurance companies (and send the profits west across the Tasman) or we can elect a Kiwi owned manager. There is no material difference, other than the profits staying here in Godzone.

If your money is being managed by a big Ozzy manager then transfer it today. At Rede Advisers, we currently recommend two managers – both of which are proudly Kiwi owned.

Overseas Superannuation Schemes

We have assisted many clients recently in relation to their overseas superannuation schemes, particularly following changes to trans-tasman portability and the taxation of other (non-Australian) pension schemes. If you have worked overseas and have superannuation still there, please contact Michael, Steve or Jasmine to discuss your options and obligations.

QUIZ

1. What is a person's net worth?

A. your total assets less liabilities, B. money in your savings account, C. your yearly salary minus your taxes

2. If you had 10 billion \$1 notes and spent one every second of every day, how long it would take you to go broke?

A. 50 years, B. 160 years, C. 317 years

3. How many double folds (forward and backward) are required before a note will tear?

A. about 34, B. about 480, C. about 4,000

***Answers below ***

Who to Contact?

You can speak to anyone in our team in relation to your KiwiSaver, however Michael and Jasmine are our KiwiSaver specialists advisers. They are available for any of your queries or advice. Their contact details are listed below:

Michael

Direct Dial: (03) 964-4222

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[Check out our website at www.rede.co.nz](http://www.rede.co.nz)

Disclosure Statements are available on request and free of charge.

Disclaimer: The information contained in this newsletter is provided as a helpful guide for clients and is of a general nature. It therefore does not constitute advice. We recommend that you obtain specific advice on how this information applies to your specific circumstances.



1. **A** - your total assets less liabilities 2. **C** - 317 years 3. **C** - about 4,000