



SUBMISSION ON KIWISAVER (FOSTER PARENTS OPTING IN FOR CHILDREN IN THEIR CARE) AMENDMENT BILL

NOTE: Financial Advice New Zealand is the new professional body for professional New Zealand advisers. Combining the memberships of The Institute of Financial Advisers, The Professional Advisers Association and NZ Financial Advisers Association, Financial Advice New Zealand represents the interests of over 1,700 AFA and RFA members.

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Financial Advice NZ – Response to the Bill

We hold that all New Zealanders, regardless of their family status, ought to have the ease of access to enroll into a KiwiSaver scheme.

We support any legislative changes that reduce the barriers to KiwiSaver entry and encourages financial savings behaviour, especially in young adults.

Commentary

It is encouraging that there are 349,000 membersⁱ in KiwiSaver schemes of 17 years and under. Significantly this is 13% of the entire KiwiSaver scheme membership. It is very positive to see that 98% of this age cohort is classified as ‘active’ KiwiSaver members.

Currently there are clear barriers for 6,000 persons under foster care (under the age of 18) to be able to opt into KiwiSaver. This raises two concerns:

1. The issue of inequality between children under the age of 18 who are in foster care and other children who are under the age of 18.
2. The administrative burden on children under the age of 18 who are in foster care is significantly greater than other children who are under the age of 18.

In the first reading of the bill the Honorable Member Mr. Dan Bidois stated:

“The current process for the KiwiSaver for these parents are far too cumbersome. It has to go to the CEO of the Ministry of Social Development at present, and none have gone there at this stage, as I understand, because of how cumbersome it has been”ⁱⁱ

This statement highlights the inequality and administrative burden for foster care children to be able to access KiwiSaver.

We note in the 2016 FMA paper that the four simple ways or ‘four interventions’ to apply behavioural insights can assist investors make good decisions. These four interventions are making it (financial decisions) easy, attractive, social and timely.

We would hold that the current environment for our young people under foster care and guardianship severely impairs their financial capability due to the absence of these four interventionsⁱⁱⁱ regarding their KiwiSaver options.

Our Members know that when people have a pathway to planned savings they gain an increased awareness of the long-term value of savings behaviour, such as the value of building their equity towards a future first-home acquisition.

Offer

We believe the most essential element of financial well-being is quality financial advice. The Association holds that by helping more Kiwis access quality advice, together we'll help New Zealand be financially better off. The Association would like to proactively support those in foster care in their financial decisions.

Financial Advice New Zealand would be happy to offer, on a pro-bono basis, financial advice on KiwiSaver to any foster child.

Recommendation

We represent the interests of the public, and our members, and strive to help Kiwis and New Zealand as a whole, be financially better-off. Those Kiwis under foster care are some of the most vulnerable in our community and it is essential their financial capability is supported.

Financial Advice NZ supports this Bill. This Bill will be a success if it makes it 'easy, attractive, social and timely'^{iv} for those in foster care to decide to enrol in a KiwiSaver scheme, and to invest in their financial future.

ⁱ Source: Financial Markets Authority *KiwiSaver Annual Report 1 July 2015-30 June 2016*

ⁱⁱ Source: *Hansard* 8 August 2018 – first reading of the Bill

ⁱⁱⁱ And ^{iv} Source: Financial Markets Authority *Using behavioural insights to improve financial capability* April 2016