MONEYWORKS
FINANCIAL PLANNING, ETHICALLY

THE KIWISAVER SERIES — 2026

White Paper #1

The History of KiwiSaver

How half a century of political reversals, abandoned ideas and one bold behavioural experiment produced the savings system New Zealanders rely on today.

3.2M+	KiwiSaver members	**18 years**	Since launch in 2007
$100B+	Funds under management	**30+**	Providers at launch

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If you ask people what KiwiSaver is, most can tell you it's a retirement savings scheme and that they probably should contribute more to it. What far fewer realise is that KiwiSaver sits on top of half a century of political reversals, abandoned ideas, ideological battles, and one giant experiment in public behaviour. KiwiSaver is not one tidy policy. It is the current chapter in a long story about how New Zealand thinks about saving, choice, responsibility, and fairness.

And because Moneyworks has been analysing KiwiSaver since before its launch in 2007, including our own provider analysis white paper from that year, I've watched it evolve not just in theory or legislation, but in the lived experiences of our clients. The political decisions of the 1970s, 1980s and 1990s still echo in the behaviour of the two million New Zealanders who belong to KiwiSaver today.

So let's walk through the history. Not the polished version, but the real one.

1 The First Big Idea: Labour's 1970s Compulsory Super — Cancelled Overnight

Our story begins long before KiwiSaver. In 1974, the Third Labour Government created a compulsory superannuation scheme designed to ensure that every working New Zealander built an adequate retirement nest egg. The design was remarkably modern: employer contributions, investment into financial markets, portable accounts, and a framework that, had it remained in place, would have given New Zealand one of the strongest retirement savings systems in the world today.

But then came one of the most abrupt reversals in New Zealand's policy history. In 1975, a newly elected Prime Minister, Robert Muldoon, scrapped the scheme almost immediately, having campaigned against it famously with his 'dancing Cossacks' advertisement. His first Cabinet meeting removed the scheme retroactively, refunded contributions, and ended New Zealand's first attempt at compulsory savings before it even had a chance to take root.

Muldoon argued that New Zealand didn't need compulsory private saving because the state pension would be universal, generous and enough on its own. For decades afterwards, that assumption shaped both politics and personal behaviour: New Zealanders came to believe that the government would sort retirement out for them, and many still behave as though that remains true.

Whether you admire Muldoon or not, the long-term effect of that cancellation is undeniable: it created a gap. A big one. KiwiSaver eventually emerged to fill it, but not until 32 years later.

Why Compulsory Superannuation Failed in the 1970s: The Market Wasn't Ready

When Labour introduced its compulsory scheme and Muldoon scrapped it, the political fight was only the surface-level story. Beneath it lay a much bigger structural problem: New Zealand simply did not have a modern investment market capable of productively absorbing compulsory contributions.

The financial system of the 1970s and early 1980s was almost unrecognisable compared to today. Capital controls restricted overseas investment. Fund managers were legally required to hold large proportions of government bonds. The domestic sharemarket was tiny, illiquid and effectively closed to ordinary investors. Managed funds barely existed, and the idea of diversified portfolios was foreign both literally and conceptually.

> If compulsory superannuation had been implemented at scale during this period, the money would have had nowhere to go. Any proposed framework would have channelled large allocations into private companies through opaque, government-influenced channels, raising legitimate concerns about political interference, cronyism, and poor accountability to investors.

The picture changed dramatically only in the mid-1980s, when New Zealand deregulated its financial markets, floated the dollar, opened capital flows, and modernised securities law. This created the conditions for a genuine investment market, but it came with a violent aftershock. The late-1980s sharemarket boom and collapse, fuelled by paper companies and speculative corporate structures, wiped out public confidence in investing for a generation.

This matters for KiwiSaver's origin story. When KiwiSaver was designed in the 2000s, the architects were acutely aware of this historical trauma. By 2007, the markets were ready: global diversification was possible, regulation was stronger, and investment vehicles were mature. In many ways, KiwiSaver succeeded because it was built on a financial system that finally had the depth and global access that compulsory super of the 1970s could never have relied on.

2 The Late 1980s: Tax Incentives Removed and Superannuation Collapses

By the mid-1980s, voluntary superannuation in New Zealand was widespread. People contributed because the tax system rewarded them for doing so. But in 1987, the Labour Government removed almost all tax incentives for superannuation contributions, as part of a large reform package designed to remove distortions from the economy.

It worked economically. It was disastrous behaviourally. Without incentives, most people stopped contributing. Voluntary superannuation dried up almost overnight. The managed funds industry shrank. Employers abandoned schemes. And New Zealanders went back to relying almost entirely on housing as their primary savings plan.

One of the long-running implications of this decision was the near-absence of a large domestic funds management industry by the early 2000s. When KiwiSaver arrived in 2007, there were relatively few established New Zealand fund managers left to run it. This is one of the reasons the early KiwiSaver provider landscape was dominated by banks, insurers, and a few specialist managers.

In practical terms for clients, this era cemented the perception that investing was 'optional', sometimes 'risky', and often 'something the Australians did'. New Zealand saved very little, and invested even less.

3 The 1997 Compulsory Superannuation Referendum: A National 'No Thanks'

By the 1990s, governments recognised the writing on the wall: with an ageing population and low personal savings rates, the long-term affordability of universal NZ Super was going to be a problem. Winston Peters, then Treasurer, pushed for revisiting compulsory superannuation, proposing a system where everyone would contribute a percentage of income into a managed investment account. Rather than legislate it directly, Peters put the issue to a national referendum in 1997.

The result was not close. Over 90% voted NO. New Zealand made it very clear it did not want compulsory private saving.

The arguments for compulsory savings were strong: predictability, intergenerational fairness, personal responsibility, and international precedent. The arguments against were also strong: lack of trust in politicians, uncertainty about investment markets, fears of forced savings, and suspicion that the system could be raided or changed.

In hindsight, this referendum tells us something crucial: New Zealanders prefer incentives, nudges, and choice, not compulsion. This behavioural insight became the cornerstone of KiwiSaver's design a decade later.

4 The 2007 Launch: A Voluntary Scheme Built on Behavioural Economics

KiwiSaver launched on 1 July 2007, after being legislated in 2006. It was a very different creature from the previous attempts at compulsory savings. KiwiSaver's genius wasn't its investment design. It was the behavioural structure: auto-enrolment for new employees, employer contributions eventually set at 3%, member tax credits, a $1,000 kickstart grant (removed in 2015), default schemes for those who made no active choice, lock-in until age 65 providing long-term discipline, and portability of accounts across providers.

People didn't have to choose it. The system quietly guided them toward joining. In its first year, KiwiSaver was labelled everything from 'dangerous' to 'brilliant', depending on political preference. The opposition raised concerns about cost, bureaucracy, and complexity. But members flooded in, and Moneyworks published our 2007 KiwiSaver Provider Analysis, noting even then that the competitive dynamics and fee structures would evolve dramatically.

It took less than 18 months for KiwiSaver to become the most significant shift in New Zealand's savings behaviour since the 1970s.

5 Providers in 2007: Who They Were and Where the Ethical Options Sat

At launch, KiwiSaver's provider landscape was surprisingly broad. According to our 2007 Moneyworks analysis, the early providers included banks, insurers, specialist fund managers, and several smaller entities offering boutique or niche investment approaches. There were roughly 30-plus providers approved in the early years, although the numbers shifted quickly as competition and compliance costs mounted.

On the question of ethical options in 2007: very few existed. Responsible Investment was in its infancy. Only a handful of providers applied exclusion screens or ethical mandates, and most were extremely limited, typically focusing on tobacco, controversial weapons, or governance issues.

Over time, responsible investing moved from niche to normal, and today it is a major factor in how many members choose a provider. A shift that would have surprised most people in those early years.

6 Mergers, Buyouts and the Consolidation of the Industry (2007 to 2024)

One of the strongest themes in KiwiSaver's history is consolidation. Multiple reports support this, including Treasury's 2015 market dynamics review, which show the early many-provider landscape steadily shrinking as regulatory, technology, and scale pressures intensified.

Some of the most significant mergers, acquisitions and restructures over the years include AMP acquiring AXA, consolidating two major insurance-linked schemes. Fisher Funds became the primary industry consolidator through a series of major purchases: the Huljich KiwiSaver scheme in 2011 after the governance scandal, Tower Investments in 2013, Aon's KiwiSaver business in 2021, and Kiwi Wealth in 2022 to 2023, one of the largest deals in KiwiSaver history. Gareth Morgan Investments was absorbed into Kiwibank's wealth arm, eventually forming part of Kiwi Wealth. National Bank's scheme was folded into ANZ following the wider bank merger. Booster strengthened its position by taking over the KiwiSaver business previously operated under the Fidelity brand.

> By 2015, the six largest providers controlled close to 90% of assets under management. By the early 2020s, consolidation had accelerated further. Competition still exists, particularly among adviser-led schemes and ethical specialists, but the practical barriers to entering and running a KiwiSaver scheme are now significantly higher than they were at launch.

7 Scandals and Controversies Along the Way

No financial system grows without a few bruises. KiwiSaver had several.

The Huljich Scandal (2010)

A defining moment. The fund manager admitted to topping up returns with shareholder money to hide poor performance. It led to prosecutions, stronger governance, and much higher scrutiny of manager conduct.

Manager behaviour and fee transparency

Multiple FMA reviews, including the 2014 to 2020 fee guidance debates, highlighted opaque fee structures and questioned value for money. Some providers resisted changes, especially around embedded advice fees and passive versus active fee comparisons.

Default provider reviews and fossil-fuel exclusions

Providers repeatedly clashed with regulators over whether default funds should be conservative or balanced, how ethical exclusions should be applied, and whether advice fees can be charged across all members.

High switching during market turbulence

During COVID-19's early market drops in 2020, panicked members moved billions into conservative funds, locking in losses. This behavioural challenge continues today and remains one of the most damaging patterns in the system.

8 What KiwiSaver Looks Like Today and Why Its History Still Matters

KiwiSaver is now woven into the financial habits of New Zealanders. It has grown to more than 3.2 million members, and the funds under management have surpassed $100 billion.

But its history explains:

- why New Zealanders remain sceptical of compulsion
- why provider choice is both valuable and confusing
- why fees remain a political and regulatory battleground
- why default settings change over time
- why ethical investing is now mainstream
- and why behaviour, not investment knowledge, still determines the outcomes for many members

KiwiSaver was built to nudge us because the 1970s, 1980s and 1990s proved that choice alone wasn't enough. The history is messy. The results are mixed. But it remains one of the most important public policy successes in modern New Zealand, not because it is perfect, but because it recognises how humans actually behave.

APPENDIX KiwiSaver Timeline: How the System Has Changed

A record of the major government decisions that shaped the scheme since 2007. Every one of these changes was made by a government responding to fiscal or policy pressure. The rules have shifted repeatedly, and there is no reason to assume they will not shift again.

■ Added ■ Removed/reduced ■ Structural/mixed

Year	Change
2007	**KiwiSaver launches.** Member contribution rates of 4% or 8%. A $1,000 kickstart payment for every new member. Member Tax Credit (now the Government Tax Credit) of up to $1,040 per year. Employer tax credit also available.
2009	**Significant cutbacks.** Member minimum contribution cut from 4% to 2%, driven largely by the Global Financial Crisis. The annual $40 fee subsidy removed. The employer tax credit discontinued.
2012	**More money taken out of the system.** The $1,000 kickstart payment removed entirely. The Member Tax Credit halved to a maximum of $521 per year.
2013	**Contributions start recovering.** Both member and employer minimums increased from 2% to 3%, restoring some of what was cut in 2009.
2021	**Default funds change character.** Default fund type switched from Conservative to Balanced. Fossil fuels and illegal weapons excluded from all default funds.
2025	**Government Tax Credit cut again.** The Government Tax Credit halved again to approximately $261 per year. Members aged 16 and 17 become eligible for the first time. Members earning over $180,000 per year are excluded.
2026	**Contribution rates move again.** Both member and employer minimum contributions rise from 3% to 3.5%, with staged increases to 4% and beyond planned for subsequent years.

Key takeaway: KiwiSaver has been altered meaningfully at least seven times in 18 years. Each change was driven by fiscal pressures or policy shifts of the government of the day. When planning around KiwiSaver, it is wise to build in flexibility rather than assume the current rules are permanent.

Sources

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