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THE KIWISAVER SERIES — 2026

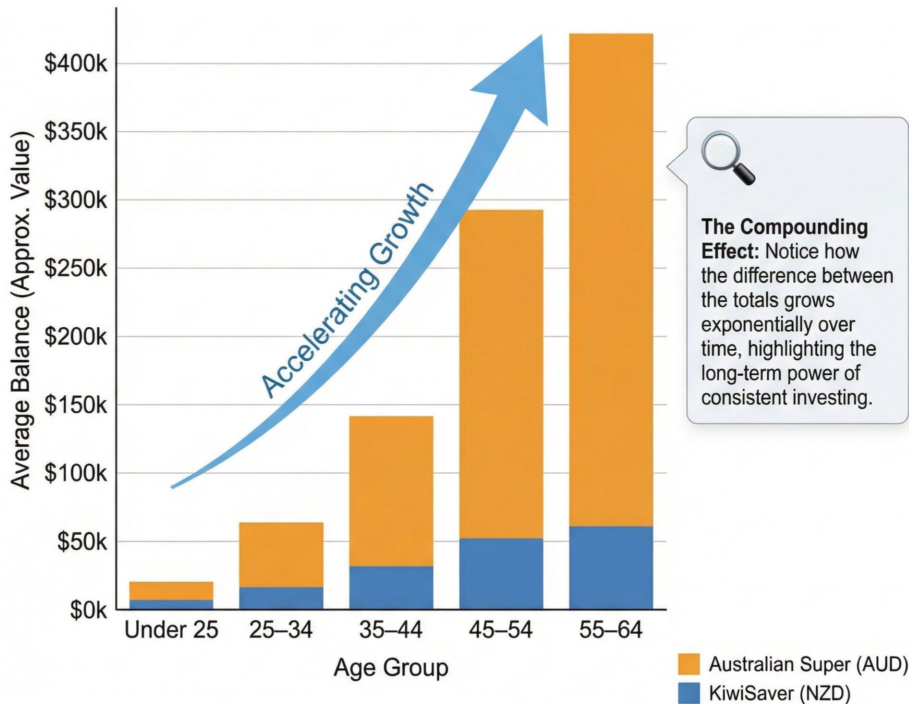
White Paper #2

KiwiSaver vs Australian Superannuation

Two Systems, Two Philosophies, Two Very Different Outcomes

Age Group	KiwiSaver Average (NZD)	Australian Super Average (AUD)
Under 25	~$9k	~$13k
25–34	~$19k	~$47k
35–44	~$31k	~$110k
45–54	~$47k	~$208k
55–64	~$57k	~$358k

Average balances by age group. Sources: MJW/Retirement Commission KiwiSaver Demographic Study (Dec 2023); ATO Taxation Statistics 2022–23; APRA Annual Superannuation Statistics. Figures are approximate averages.



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Introduction: The Tale of Two Retirement Systems

If you dropped an Australian and a New Zealander into the same room and asked them to explain how their retirement savings work, you would get responses that might as well come from different planets. The Australian would talk about employer contributions, tax concessions, insurance inside super, caps, preservation age, and perhaps their fund's investment in toll roads or an airport. The New Zealander would probably mention KiwiSaver, '3 and 3', a first-home withdrawal, and the fact that it's handy but not exactly something they obsess about.

These differences aren't just about rules. They're about philosophy. Australia built a retirement system designed to accumulate national wealth through compulsory saving. New Zealand built a system designed to gently encourage saving without forcing anyone. Both systems do their job well. But they produce very different outcomes.

Understanding these differences matters for New Zealanders because it shows us what KiwiSaver is, and what it was never meant to be. It sets reasonable expectations, and it helps clients understand why their Australian cousin retires with $350,000 to $600,000 in super while they might have $60,000 to $150,000 in KiwiSaver.

1 Two Divergent Beginnings: Why the Systems Look Nothing Alike

To understand the modern KiwiSaver system, you have to appreciate that New Zealand spent 30 years deliberately avoiding compulsion. After Muldoon scrapped Labour's compulsory superannuation in 1976, New Zealand entered a long period in which private saving was optional, unsubsidised, and largely unsupported. Removing the tax incentives in 1987 completed the long retreat from structured national saving.

Australia's story: compulsion built through negotiation

By the early 1980s, Australian unions were bargaining for superannuation coverage as part of wage negotiations. Workers effectively 'traded' direct wage increases for employer contributions. When the Superannuation Guarantee was legislated in 1992, it didn't feel foreign; it was simply formalising what had already begun. The SG started at 3% in 1992, rose to 9% by 2002, reached 11% by 2024, and is due to hit 12% in 2025. Every increase added fuel to the compounding engine of Australian retirement savings.

New Zealand's story: designed to encourage, not enforce

KiwiSaver launched in 2007, consciously avoiding compulsion because the 1997 referendum showed New Zealanders had zero appetite for a mandatory scheme. Instead, KiwiSaver used behavioural economics: auto-enrolment, minimal friction, choice of contributions, simple provider choices, and a government contribution. It was designed as a nudge, not a requirement. And nudges work, but not as powerfully as mandates.

2 Contributions: The Heart of the Difference

If you strip away all the complexity of retirement systems, contributions are the single biggest determinant of outcomes.

KiwiSaver contributions

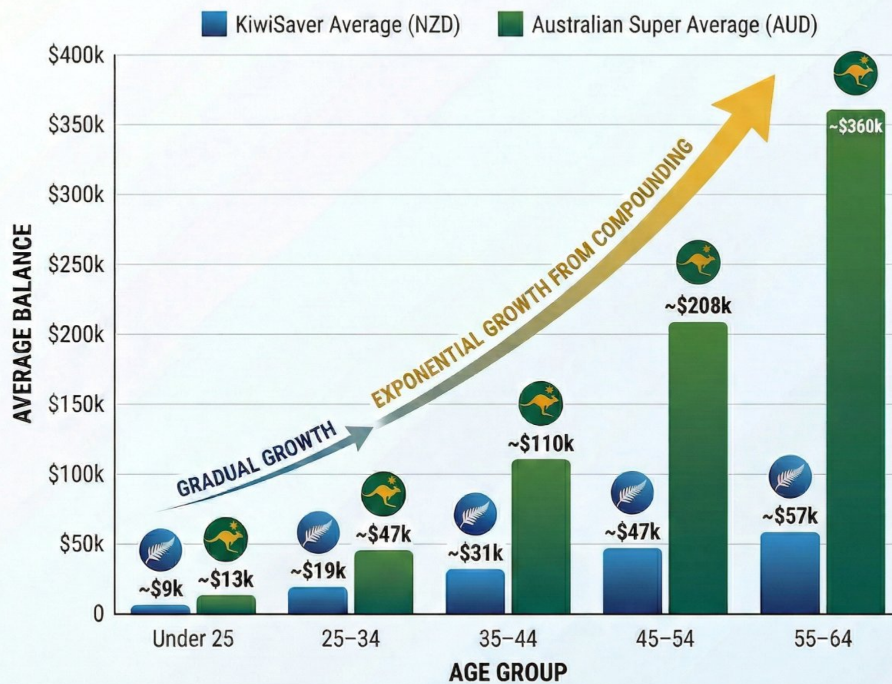
Most KiwiSaver members contribute 3% as employees (from after-tax income) and receive 3% from their employer (less ESCT tax), plus the $260.72 annual Government Tax Credit if they qualify. Many New Zealanders never increase their contribution rate unless encouraged by an adviser.

Australian contributions

Australia's contributions are structurally different. Employers contribute 11%, rising to 12%. Many Australians also salary-sacrifice additional amounts. The typical Australian worker earning AUD $80,000 receives nearly $9,000 per year into super, whether they want to or not. A comparable New Zealander receives about $2,400 plus $2,400 less ESCT tax, unless they make voluntary contributions. This difference compounds over decades.

3 Time: The Compounding Effect That Cannot Be Ignored

Australian Superannuation has been contributing to members' accounts since 1992. That is 15 years before KiwiSaver even existed. A 50-year-old Australian may have had 30 years of SG contributions, 30 years of concessional tax treatment, and 30 years of investment returns compounding. A 50-year-old New Zealander has had 17 years of KiwiSaver, possibly a first-home withdrawal, lower contributions, and easier access to funds. Of course Australian balances are higher. The timeline alone makes the comparison unfair.



The compounding gap widens with every passing decade. Note: approximate averages in respective currencies.

4 Tax Treatment: Why It Supercharges Australian Balances

Tax is the quiet architect of Australia's superannuation success. Australia chose to lightly tax contributions, lightly tax investment earnings, lightly tax capital gains, and not tax retirement withdrawals at all. This is extremely generous by global standards.

KiwiSaver taxation

KiwiSaver takes the opposite approach. Contributions are made from taxed income. Earnings are taxed at PIR rates. Withdrawals are tax-free. This is simple and fair, but it is not designed to accelerate wealth accumulation. It is designed to be neutral.

The Australian approach

Australia taxes concessional contributions at 15%, usually lower than the individual's marginal tax rate. Earnings in super are taxed at 15% on income and 10% on capital gains from assets held more than 12 months. Once in retirement phase, the tax rate on earnings drops to 0%. This dramatically magnifies the compounding effect over decades.

5 Preservation and Access: The Psychology of Locked-In Money

If you want to understand why Australians tend to treat their super as their 'real retirement fund', it's because they can't touch it. And people grow emotionally attached to money they cannot access.

KiwiSaver's first-home withdrawal

The ability to withdraw money for a first home has been transformative for New Zealanders. It has helped hundreds of thousands buy properties and is one of the most popular features of KiwiSaver. But it also means balances remain lower for decades afterward, and the system sometimes becomes a home savings scheme rather than a retirement one.

Australian preservation: strict, clear, unwavering

Australian super can only be accessed after reaching preservation age and satisfying a condition of release. This is powerful. It eliminates the temptation to treat superannuation like a medium-term savings pool.

6 Embedded Insurance: The Big Difference No One Talks About Enough

Many New Zealanders don't realise that Australian super funds usually include life cover, total and permanent disablement (TPD) cover, and income protection cover. This is insurance priced at scale, the kind of scale KiwiSaver cannot yet replicate. For millions of Australians, their default life insurance sits inside their superannuation account. This is one reason Australians see their super fund as an insurer, an investment manager, a retirement provider, and sometimes a quasi-employer benefit all in one. KiwiSaver is deliberately kept simpler.

7 Means Testing: The Quiet Force Shaping Australian Retirement Behaviour

If KiwiSaver and Australian Superannuation were two planets, the Australian Age Pension means test would be their gravitational pull. It is subtle, powerful, and always present, shaping how Australians think about their money. New Zealanders don't experience anything like it.

Income and assets tests

Australians face assets tests that reduce their Age Pension once total assets exceed set thresholds. Deeming rules assume financial assets earn a set rate regardless of actual performance. This means Australians can predict how the pension will be assessed, and they evaluate investment choices with the Age Pension in mind. They become familiar with complex rules much earlier in life.

The New Zealand contrast

NZ Super remains universal, unconditional, and non-means-tested. This simplicity is powerful and comforting, but it also means New Zealanders are less incentivised to understand complex retirement income systems. Australia's framework creates a nation of people who understand assets, thresholds, account-based pensions, and drawdown rates. Kiwis don't need to learn any of this. Which is both a blessing and a limitation.

8 Financial Literacy: Compulsion Breeds Engagement

There is a deep and consistent theme in Australian research: compulsion breeds engagement. Higher balances command attention. More decisions to make create knowledge. Means testing forces planning from the 40s onward. Self-managed super funds create a highly educated subset across the population.

Why New Zealanders remain simpler in their approach

KiwiSaver balances can feel small. The universality of NZ Super reduces urgency. Fewer product features require less knowledge. And for many, KiwiSaver's main purpose arrives at age 30 at a first-home withdrawal, not at age 65. This isn't a critique. It's a reflection of design. KiwiSaver's simplicity is a strength, but it does produce lower financial literacy and lower engagement.

9 What New Zealanders Can Learn Without Pretending We Are Australia

There is often a temptation to say KiwiSaver should be more like Super. That misses the point. The conditions that created the Australian system simply did not exist here, and New Zealanders have consistently rejected compulsion. But New Zealand can take lessons from across the Tasman.

Higher contributions change everything

A voluntary increase to 4%, 6% or more has enormous compounding power. Many New Zealanders underestimate how critical this is.

Literacy follows money

As balances grow, engagement grows. KiwiSaver members with $150k-plus behave much more like super members.

Government policy shapes outcomes more than fund managers

Australians retire with more not because they invested better, but because their system made them contribute more. Clear expectations reduce confusion. Advisers play a critical role in helping New Zealanders build realistic plans that bridge the contribution gap between the two systems.

KiwiSaver is designed for choice. Australian Super is designed for certainty. Neither approach is inherently superior, but the outcomes cannot be compared directly because the systems are not designed to achieve the same thing.

Sources

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