MONEYWORKS
FINANCIAL PLANNING, ETHICALLY

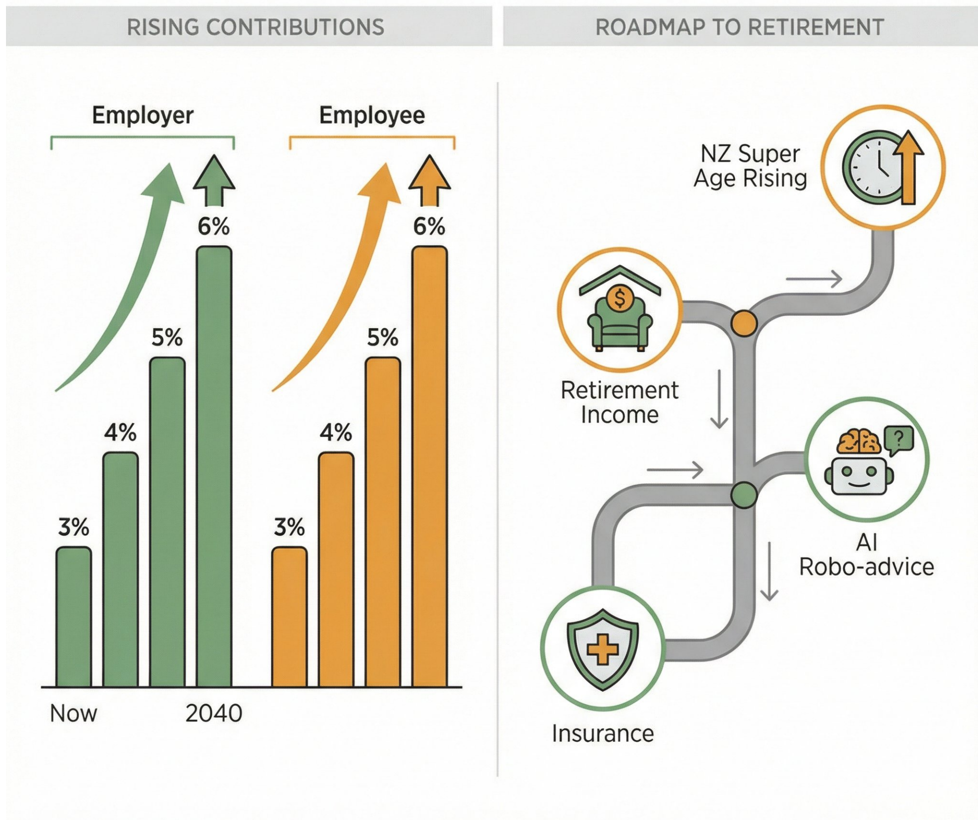
THE KIWISAVER SERIES — 2026

White Paper #4

KiwiSaver 2040

Where the System Could Be Heading and What That Means for You

Contributions to 12%	Possible by 2032 with staged increases
KiwiSaver from birth	Children's accounts proposed
Insurance integration	Following Australian model
Decumulation products	The missing half of the system
AI-driven advice	Personalised, contextual, automated
NZ Super age rising	Demographic pressure building



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Introduction: KiwiSaver Leaves Adolescence and Enters Its Adult Years

KiwiSaver is old enough now to have a history, a personality, and a long list of quirks. But the more interesting question is not where it has been. It's where it's going. Systems like KiwiSaver are shaped more by future political decisions, demographic pressures, technological change, and social expectations than by their past. And over the next 15 years, KiwiSaver will experience more change than in its first 18 combined.

The pressures on retirement income in New Zealand are shifting fast. The cost of NZ Super is rising as the population ages. More people are renting into retirement. Fewer households have defined-benefit or employer pension schemes. KiwiSaver balances are growing large enough to matter. Policy makers can no longer ignore long-term sustainability. And advisers, employers and providers are all under cost pressure to deliver more with less.

This article looks forward to the likely, the possible, and the politically plausible developments in KiwiSaver between now and 2040. Some of these changes are already signalled. Others are emerging. And a few are only just entering the policy conversation.

1 Bigger Contributions, Bigger Outcomes: The Move Toward 12%

The most significant future change already on the table is the political commitment to raise KiwiSaver contributions for both employees and employers. The proposed policy sets out a gradual increase from 3% to 3.5% in 2026, then 4% by 2028, then increments of 0.5% each year until both employee and employer contributions reach 6% each by 2032. This would bring total compulsory-default contributions to 12%, aligning KiwiSaver with Australian Superannuation contribution levels.

But there is a catch

KiwiSaver remains voluntary. The minimum contribution for those who do not adopt the new higher default will stay at 3%. This creates a future split between the '12%-ers' who enjoy materially stronger long-term outcomes and the '3%-ers' who remain under-saved even as wages rise and retirement costs grow. A shift from 3% to 6% employee and employer contributions each could easily double the long-term balance for a 25-year-old entering the workforce today.

2 KiwiSaver from Birth: The Rise of Children's Accounts

One of the most promising proposals in the future landscape is KiwiSaver from birth. The I.D.E.A. Institute has proposed a model where every child receives a government kickstart at birth, parents can make small voluntary contributions, and the government matches contributions from low and middle-income families.

Why this matters

A child who begins investing at birth has up to 45 more years of compounding than today's entrants. Even tiny contributions snowball. Such a system could improve intergenerational wealth equality, provide a smoother on-ramp into KiwiSaver at age 18, and give every young New Zealander a meaningful financial stake. There are models already working in New Zealand: Ngai Tahu Whai Rawa has demonstrated the power of early contributions and matched savings for children in its tribal membership.

3 KiwiSaver as a Financial Hub: Will Insurance Be Integrated?

New Zealand does not currently bundle insurance inside KiwiSaver the way Australia does with group life, TPD and income protection cover. But the early signals are already visible. Booster is the first KiwiSaver provider to meaningfully experiment in this space, offering Simple Life Insurance to KiwiSaver members and free accidental death cover for contributing members.

If group cover were offered widely

Younger members would be protected earlier. Pricing would be cheaper due to scale. Members might begin seeing KiwiSaver as a financial centre of gravity rather than a standalone investment account. KiwiSaver is increasingly central to people's financial lives. Insurance is likely the next frontier.

4 The NZ Super Age Question and What It Means for KiwiSaver

New Zealand has avoided raising the NZ Super eligibility age for decades, but demographic reality doesn't go away just because it's inconvenient. By the late 2030s, NZ Super costs are projected to materially increase as retirees outnumber workers. Wage growth will not match the fiscal pressure.

Three likely outcomes if NZ Super age increases

First, the KiwiSaver withdrawal age rises in lockstep, as it would be politically untenable to allow KiwiSaver withdrawals years before NZ Super begins. Second, transitional hardship exemptions appear, especially for manual workers or people with health conditions. Third, decumulation products become mainstream as people need bridging income. This belongs in every forward-looking KiwiSaver conversation.

5 Decumulation: The Missing Half of the KiwiSaver System

KiwiSaver has spent its first 18 years focused almost entirely on accumulation. But the moment a member turns 65, KiwiSaver's job is effectively done. The system steps aside just when people need guidance the most. Decumulation is the great unfinished chapter of New Zealand's retirement-income policy.

Where future solutions will come from

The only serious, fully regulated decumulation structure in New Zealand today is Lifetime Retirement Income, which accepts lump sums including KiwiSaver at 65 and provides a predictable income stream. The big question for the next decade is whether more KiwiSaver providers develop integrated retirement-income products, or whether government creates a default decumulation pathway similar to default funds during accumulation. Either way, decumulation will become the next major KiwiSaver frontier.

6 The Advice Gap Widens and Technology Rushes In

At exactly the moment KiwiSaver balances and complexity are rising, the economics of personalised advice are becoming more difficult. Small balances make advice uneconomic. Full advice obligations are burdensome. Disclosure requirements add friction. As a result, KiwiSaver members face two unappealing choices: no advice, or provider-supplied information dressed up as education.

AI-driven KiwiSaver agents

Robo-advice and AI-driven support are no longer hypothetical. Imagine your KiwiSaver app analysing your bank data, detecting a pay rise, prompting you to increase contributions, running a personalised projection, suggesting a fund switch with justification, reminding you about tax credit eligibility, and recommending a decumulation pathway at 63. Not generic nudges. Personalised, contextual, behaviourally-timed interventions.

7 Auto Re-Enrolment and Auto-Escalation: Smarter Nudging

KiwiSaver was built on behavioural economics. But New Zealand has only used the lightest version of it. Other countries have taken the next steps: automatic re-enrolment every three to five years in the UK, and automatic contribution escalation with pay rises in US 401(k) plans. These features dramatically increase long-term balances without forcing anyone. They simply use the natural power of behavioural inertia in a positive direction.

Future KiwiSaver by 2040

We may see mandatory re-enrolment every three years, default contributions rising by 1% after each wage increase unless opted out, and personalised 'savings adequacy' scores built into payroll systems. Not compulsion. Just smarter nudging.

8 Climate, Stewardship, and the Regulation of Ethical Claims

The next decade will shape what genuinely counts as responsible and ethical investing. Recent changes to New Zealand's climate-reporting regime have reduced mandatory climate-related disclosure requirements for KiwiSaver providers. But this regulatory shift does not remove climate change from the investment equation. Physical climate risks, transition risks, and policy responses remain financially material for long-term investors.

What is tightening

Regulators are increasingly focused on the accuracy of ethical and sustainability labels, stewardship and active-ownership practices, transparency around fossil-fuel exposure, enforcement against greenwashing, and evidence of engagement outcomes rather than marketing statements. For ethical advisers like Moneyworks, this remains a structural advantage. As claims become harder to make and easier to challenge, clients will need independent guidance to understand what sits behind the labels.

9 The Tax Debate That Won't Stay Quiet Forever

New Zealand has always taken a 'simple is fair' approach to taxing retirement savings. KiwiSaver earnings are taxed annually at PIR; withdrawals in retirement are tax-free. But as balances grow and contributions rise, this framework will come under pressure.

Possible future moves

Lower PIE tax rates for KiwiSaver and retirement-income funds, tax deductions for contributions for low-income earners, enhanced government matching for early-career contributors, and higher PIE rates for first-home withdrawals to reshape incentives. None of these are currently government policy, but they are all credible future levers. KiwiSaver's scale will eventually force New Zealand to decide whether retirement income deserves its own tax settings.

10 Will NZ Super and KiwiSaver Become More Intertwined?

A political red line for decades has been the universality of NZ Super. But demographic pressure will challenge that simplicity. By 2040 the ratio of workers to retirees will have fallen sharply and NZ Super will consume a larger proportion of government spending.

Three plausible scenarios

Soft integration, where people with very large KiwiSaver balances receive a slightly lower NZ Super payment. Transitional means testing, where a portion of NZ Super becomes income-tested. Or most likely: the KiwiSaver withdrawal age is shifted to match the NZ Super age automatically. The point is not that these will happen. It is that they are increasingly part of serious long-term planning discussions.

11 Provider Consolidation: The Big End of Town Gets Bigger

The KiwiSaver industry is already consolidating, but the trend is not finished. The economics of running a KiwiSaver scheme are brutal: high regulatory costs, rising reporting obligations, pressure to invest in technology, competitive fee squeeze, and scale required for private markets investment.

By 2040 the likely provider landscape

Four to six large bank-owned or manager-owned schemes, two to three successful boutique or ethical specialists, one or two not-for-profit or iwi-based schemes, and perhaps a couple of digital-only disruptors. For members, consolidation has mixed consequences: lower fees due to scale and better technology, but less competition, more marketing noise, and less individualised service. It makes independent advice more important, not less.

12 KiwiSaver as National Economic Infrastructure

By 2040, KiwiSaver is expected to hold hundreds of billions of dollars. With the right settings, KiwiSaver could strengthen capital markets, fund long-term infrastructure including renewable energy and social housing, shape corporate governance by influencing board composition and driving higher standards of ethical practice, and reduce pressure on government spending by raising private retirement savings. KiwiSaver will not just be an investment account. It will be a pillar of national economic strategy.

KiwiSaver started simple because New Zealanders weren't used to investing. By 2040, investment literacy will be higher, digital comfort will be stronger, and people will expect personalised experiences, not generic ones. KiwiSaver will go from 'Here are your options, good luck' to 'Here's what you should consider and here's why. Let's make the next decision together.'

Sources

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- *Submissions to the Tax Working Group advocating preferential PIE treatment for retirement products*
- *FMA guidance on digital advice exemption and the shift toward robo-advice*