

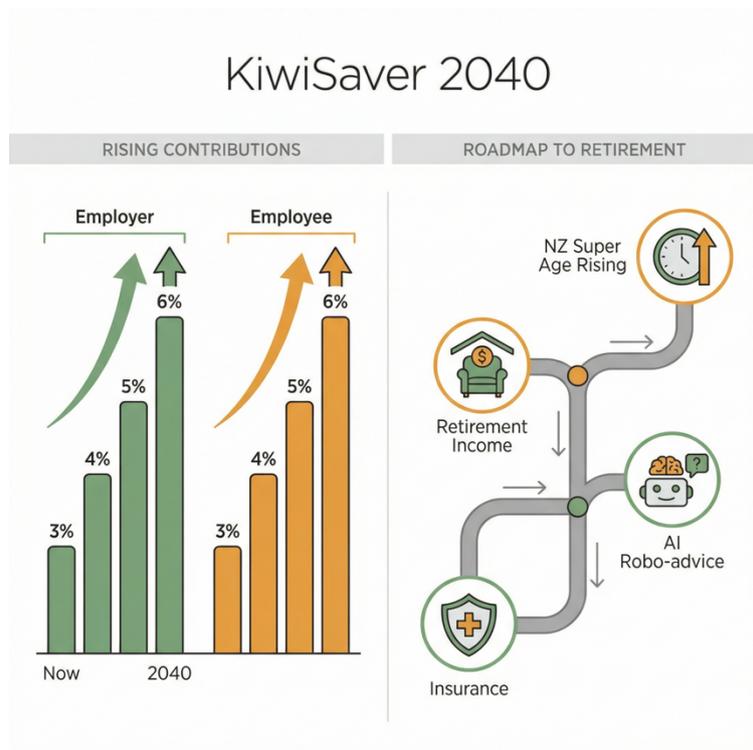


MONEYWORKS

FINANCIAL PLANNING, ETHICALLY

The KiwiSaver Series - 2026

White Paper #4 – KiwiSaver 2040: Where the System Could Be Heading and What That Means for You



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.

Why?

Because 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.

KiwiSaver is entering its "middle age". And the next decade will define whether it becomes a true retirement system, or remains a supplementary savings scheme with inconsistent outcomes.

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.

Why Looking Back Matters for the Future

One reason KiwiSaver works today is because New Zealand finally has the financial infrastructure to support it. That is something that simply didn't exist when compulsory superannuation was proposed in the 1970s.

At that time, investment markets were heavily constrained: capital controls restricted offshore investing, fund managers were required to hold large proportions of government and semi-government bonds, and the domestic share-market was tiny, illiquid, and inaccessible to ordinary people.

Any compulsory retirement scheme would have forced contributions into private companies through opaque, politically exposed channels. The risk of misallocation, cronyism, and poor oversight was real.

Deregulation in the mid-1980s opened markets, liberalised capital flows, and modernised investment rules, but it also triggered a speculative boom and collapse that scared many New Zealanders away from the share-market for decades.

KiwiSaver succeeded in 2007 because the system finally had the depth, transparency and global access needed to support large-scale retirement saving. That historical lesson matters now: any future transformation of KiwiSaver must be matched by the strength and sophistication of the markets beneath it.

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.

National's 2025 proposed policy sets out a gradual increase:

- From **3% to 3.5% in 2026**
- **4% by 2028**
- Then 0.5% increments each year until both employee and employer contributions reach **6% each by 2032**

This would bring the total compulsory-default contributions to **12%**, aligning KiwiSaver with Australian Superannuation contribution levels.

But there's 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:

- The "12%-ers" who enjoy materially stronger long-term outcomes **versus**
- The "3%-ers" who remain under-saved even as wages rise and retirement costs grow.

Why 12% matters

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. Compounding takes care of the rest.

But for employers, the policy raises big questions:

- Will total remuneration become the norm?
- Will higher employer KiwiSaver contributions suppress wage rises?
- Will SMEs struggle to absorb the cost?

For employees, it raises different questions:

- Should higher contributions be opt-in or opt-out?
- How will this affect take-home pay?
- Will people understand the long-term benefits enough to stay in the higher tiers?

This shift is the single biggest change to KiwiSaver's DNA since the system launched. It will transform balances - but only if people actually adopt the higher settings.

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

One of the most promising - and politically interesting - 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 (e.g., \$1,000).
- Parents can make small voluntary contributions.
- The government **matches** small contributions from low- and middle-income families.
- By age 18, large-scale modelling suggests a national savings pool of **\$10–13 billion**.

This is not sentimental policy - it is a long-term infrastructure idea.

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
- Give every young New Zealander a meaningful financial stake
- Increase national savings and capital-market depth

There are models already working in New Zealand:

- Ngāi Tahu Whai Rawa has demonstrated the power of early contributions and matched savings for children in its tribal membership.

Politically, a "Kids' KiwiSaver" is attractive because:

- The cost is low relative to long-term benefit
- It signals investment in the future
- It avoids the political heat of changing NZ Super or KiwiSaver withdrawal ages

If this proposal gains traction, KiwiSaver could literally become a cradle-to-grave system rather than a mid-life enrolment system.

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

New Zealand does not currently bundle insurance inside KiwiSaver the way Australia does with its 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. They now offer:

- **Super Simple Life Insurance**, available only to Booster KiwiSaver members, offering simple life cover up to \$200,000 with minimal underwriting.
- **Free accidental death cover** (up to \$50,000) for contributing members - effectively a micro-insurance policy tied to membership.¹

This is a tiny echo of the Australian super model, but it marks the beginning of a possible shift.

Why insurance-linked KiwiSaver matters

If group cover were offered widely:

- Younger members would be protected earlier.
- Pricing would be cheaper due to scale.
- Claims processes could be integrated with KiwiSaver providers.
- Members might begin seeing KiwiSaver as a financial centre of gravity rather than a standalone investment account.

There are challenges:

- Should cover be default or opt-in?
- How do we avoid “zombie policies” (as happened in Australia)?
- How do we price insurance without degrading investment returns?

But the pressure is clear: **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
- Productivity growth is uncertain
- Political appetite for change may harden

If, or when, the NZ Super age rises to 66, 67 or even 68, KiwiSaver rules will inevitably follow.

¹ This cover varies based on factors like the membership duration and account balance and can be as high as \$100,000 - <https://www.booster.co.nz/tools-info/accidental-death-cover>

Three likely outcomes if NZ Super age increases:

1. KiwiSaver withdrawal age rises in lockstep.

It would be politically untenable to allow KiwiSaver withdrawals years before NZ Super begins.

2. Transitional hardship exemptions appear.

Especially for manual workers or people with health conditions.

3. Decumulation products become mainstream.

People will need bridging income from age 65 to 67–68 if Super shifts.

This is a classic “not if, but when” policy issue.

It 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** - how much people contribute, what funds they choose, how fees work, and how volatility affects balances. 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.

What the world does

Other OECD countries offer:

- Default drawdown pathways (**UK**)
- Income-for-life annuity markets (**Australia, though declining**)
- Hybrid pooled-risk products
- Lifetime income streams built into pension funds

New Zealand has none of these at scale.

Why decumulation matters now

By 2040, a typical KiwiSaver balance for someone who contributed consistently from 2020 will be far larger than today. These people will need:

- help deciding *how much to withdraw*,
- help avoiding overspending in the early years,
- help ensuring money lasts into their 90s,
- help smoothing volatility during retirement,
- help coordinating KiwiSaver with NZ Super.

KiwiSaver's "take your money and good luck" withdrawal framework is increasingly unfit for purpose.

Where future solutions will come from

The only serious, fully regulated decumulation structure in NZ today is Lifetime Retirement Income. Their model:

- accepts lump sums (including KiwiSaver at 65),
- provides a predictable income stream,
- recalculates annually based on returns, markets, and longevity assumptions.

It's not an annuity (NZ doesn't really have any). It's more like a managed drawdown service - an income solution built on modern investment management rather than insurance-company guarantees.

The big question for the next decade is whether:

- more KiwiSaver providers develop integrated retirement-income products, or
- 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. This is not the fault of advisers, it is the architecture of the regulatory system.

Why human advice is struggling

- Small balances make it uneconomic.
- Full advice obligations are burdensome.
- Disclosure requirements add friction.
- Consumers don't distinguish between "help", "information", "selling" and "advice".
- Many providers prefer to keep assets in-house rather than refer to advisers.

As a result, KiwiSaver members face two unappealing choices:

1. **no advice**, or
2. **provider-supplied information disguised as education.**

Neither is sufficient.

Where the future will move

Robo-advice and AI-driven support are no longer hypothetical.

The FMA's digital-advice regime already allows:

- algorithmic personalised suggestions,
- risk-profiling engines,
- fund-recommendation tools,
- contribution-analysis engines.

But the next wave will be qualitatively different:

AI KiwiSaver agents

Imagine:

- your KiwiSaver app analysing your bank data,
- detecting a pay rise,
- prompting you to increase contributions from 3% to 4%,
- running a personalised projection,
- suggesting a fund switch *with justification*,
- reminding you about MTC eligibility,
- recommending a decumulation pathway at 63.

Not generic nudges. Personalised, contextual, behaviourally-timed interventions.

The regulatory headache

The FMA will need to draw sharp lines between:

- product information,
- digital engagement,
- personalised advice,
- algorithmic supervision,
- and persuasive design.

AI will make KiwiSaver better. But it will also force the advice law to evolve.

7. Auto Re-Enrolment and Auto-Escalation: Nudges Waiting to Happen

KiwiSaver was built on behavioural economics. But New Zealand has only used the *lightest* version of it:

- auto-enrolment at job start,
- opt-out allowed,
- fixed contribution choices.

Other countries have taken the next steps:

- **automatic re-enrolment every 3–5 years** (UK)
- **automatic contribution escalation** with pay rises (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 opt-out,
- employer contributions automatically matching increases,
- personalised “savings adequacy” scores built into payroll systems.

Not compulsion. Just *smarter nudging*.

If New Zealand wants to raise national retirement readiness without forcing all citizens into higher contributions, auto-escalation is the cleanest path.

8. First-Home Withdrawal Settings: A Political Flashpoint Ahead

KiwiSaver’s first-home withdrawal feature has been wildly successful - maybe *too* successful. Tens of billions of dollars have flowed from KiwiSaver into the housing market since 2011. Economists argue that:

- it increased demand,
- lifted prices in certain segments,
- and created the expectation that KiwiSaver is “for housing first, retirement second”.

What might happen next

There is policy chatter that the rules may need rebalancing:

- Caps on withdrawal amounts
- Lower withdrawal percentages
- Restrictions based on regional house-price inflation
- Different rules for second-time buyers
- Linking eligibility to contribution history (to prevent gaming)

The most politically defensible version is not to remove access, but to **rebalance incentives** so KiwiSaver remains a retirement tool *with* housing benefits - not a housing tool with a leftover retirement purpose.

This debate is likely to heat up again between 2026–2030 as balances grow and housing affordability evolves.

9. Climate, Stewardship, and Regulation of Ethical Claims

The next decade will not just influence how KiwiSaver money is invested. It 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, regardless of whether formal reporting is compulsory.

What *is* tightening and will continue to tighten, is scrutiny around how ethical and responsible investment claims are made and substantiated.

Regulators are increasingly focused on:

- the accuracy of ethical and sustainability labels,
- stewardship and active-ownership practices,
- transparency around fossil-fuel exposure and exclusions,
- enforcement against greenwashing,
- evidence of engagement outcomes rather than marketing statements.

The emphasis is moving away from broad promises and towards demonstrable behaviour.

Looking ahead, KiwiSaver providers are likely to face:

- stronger expectations around how climate and sustainability risks are integrated into investment decision-making,
- clearer standards for what constitutes an "ethical" or "responsible" fund,
- greater scrutiny of stewardship activity and voting records,
- higher expectations that engagement claims are backed by evidence.

KiwiSaver began with very light oversight of ethical claims and stewardship practices. That will not remain the case. Even without formal climate-reporting mandates, the combination of regulatory attention, investor expectations, and global investment norms will push providers toward greater transparency and discipline in how responsible-investment narratives are used.

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 - and what genuinely aligns with their values and long-term financial outcomes.

10. 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 the member's PIR; withdrawals in retirement are tax-free. It's tidy, predictable and politically safe. But as balances grow and contributions rise, this framework will come under pressure.

A number of serious policy thinkers - including the Tax Working Group submitters, retirement researchers, and industry bodies - have raised a future-facing question:

Should long-term, locked-in retirement savings be taxed differently from short-term investment products?

The argument is simple:

- KiwiSaver improves national financial resilience.
- Retirement saving has social value.
- Tax treatment should reward long-term behaviour.

Countries like Australia, the UK and the US use preferential taxation to encourage higher contributions and discourage early withdrawals. New Zealand stands almost alone in treating long-term savings and short-term investments identically.

Possible future moves include:

- Lower PIE tax rates for KiwiSaver and retirement-income funds
- Lower rates for annuity/decumulation products
- Tax deductions for contributions for low-income earners
- Enhanced government matching for early-career contributors
- 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.

11. Will NZ Super and KiwiSaver Become More Intertwined?

A political red line for decades has been the universality of NZ Super. Unlike Australia, we have not means-tested our primary pension since the 1990's (Superannuation Surcharge), and that simplicity is deeply valued. But demographic pressure will challenge that simplicity.

By 2040:

- The ratio of workers to retirees will have fallen sharply
- NZ Super will consume a larger proportion of government spending
- Healthcare and aged-care costs will rise in parallel
- Wage growth will not keep pace with fiscal demand

This sets up a future tension: **Should KiwiSaver balances influence NZ Super eligibility?**

Today, the political answer is a very firm "no." But policy conditions change when budgets tighten.

Three plausible future integration scenarios:

Scenario A - Soft Integration

People with very large KiwiSaver withdrawals or balances (say over \$1m) could receive a slightly lower NZ Super payment. This would be politically difficult but fiscally appealing.

Scenario B - Transitional Means Testing

NZ Super remains universal, but a portion becomes income-tested (as Australia does). KiwiSaver drawdowns could count as income.

Scenario C - Increased Super Age = Increased KiwiSaver Access Age

The most politically likely outcome. KiwiSaver's withdrawal age is shifted to match NZ Super age automatically.

Scenario D - Tightening up on the link with increasing prices

At present, the rate that New Zealand Superannuation is set at and adjusted for on the 1st April each year, is based on a link with two indices. This is designed to ensure that NZ Super retains its purchasing power, keeping up with cost increases.

This is an option that could be tweaked to reduce the outflow of money, but would probably have some kind of 'top up' mechanism in the form of another benefit to ensure that low wealth superannuitants could still survive.

The point is not that these will happen - it's that they are increasingly part of serious long-term planning discussions. People retiring in the 2030s and 2040s will face a different landscape from today's retirees.

12. Complexity Creep: KiwiSaver Will Not Stay Simple

KiwiSaver began with a "Keep It Simple, Stupid" design. Two fund types (default and active choice), a few contribution choices, a member tax credit, and straightforward reporting.

The future doesn't look like that.

Why complexity is rising:

1. Higher contributions make investment decisions matter more.
2. More unlisted assets make valuation more complex.
3. Ethical claims, stewardship expectations and sustainability scrutiny will require greater transparency.
4. Decumulation products will require new rules and reporting.
5. Insurance integration (if it grows) adds another product layer.
6. Digital advice requires consumer-protection boundaries.

KiwiSaver will never be as complicated as Australian Super - but it will become more sophisticated and less "hands-off". Members will need more guidance than ever.

13. 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
- scale required for private markets investment
- declining profitability for small schemes

By 2040, the likely provider landscape will include:

- 4-6 large bank-owned or manager-owned schemes
- 2-3 successful boutique/ethical specialists
- 1-2 not-for-profit or iwi-based schemes
- perhaps a couple of digital-only disruptors

Small providers will struggle unless they have:

- a niche speciality (ethical/responsible investing, for example)
- strong employer relationships
- unique value propositions (e.g., insurance integration, AI-driven engagement)

For members, consolidation has mixed consequences:

- lower fees due to scale
- wider investment options
- better technology
- but also:
- less competition
- more marketing noise
- and less individualised service

It makes independent advice more important, not less.

14. KiwiSaver as National Economic Infrastructure

By 2040, KiwiSaver is expected to hold **hundreds of billions of dollars** - not a trivial pool, but a significant national asset. With the right settings, KiwiSaver could:

Strengthen capital markets

More domestic saving means deeper, more liquid markets and less dependency on foreign capital.

Fund long-term infrastructure

As balances grow, KiwiSaver funds may increasingly invest in:

- renewable energy
- transport
- digital infrastructure
- aged care
- social housing (carefully structured)

Shape corporate governance

Large KiwiSaver funds could:

- influence board composition,
- drive higher standards of ethical practice and climate transparency,
- support sustainability transitions,
- demand better stewardship practices.

Reduce pressure on government spending

Higher private retirement savings reduce long-term reliance on NZ Super - especially if decumulation becomes structured and predictable.

KiwiSaver will not just be an investment account. It will be a **pillar of national economic strategy**.

15. The Future Member Experience: From Passive to Guided

By 2040, KiwiSaver will not be something people “set and forget.” It will be something people are increasingly **guided through** - not by humans alone, but by intelligent systems.

Expect:

- personalised nudges
- scenario simulations
- real-time projections
- automated risk rebalancing
- behavioural guardrails during volatility
- decumulation coaching
- insurance and protection prompts
- retirement-income “paycheque builders”

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

Government policy & announcements

- National Party 2025 campaign commitments: KiwiSaver contribution increases for employees and employers from 2026–2032.

KiwiSaver regulatory and policy reviews

- Te Ara Ahunga Ora / Retirement Commission - *Retirement Income Framework & Decumulation Research* (including modelling of future NZ Super sustainability and need for drawdown frameworks).
- Financial Markets Authority - *Digital Advice Exemption & Guidance* (2018 onward), shaping robo-advice and hybrid advice models.

Children's KiwiSaver proposals

- I.D.E.A. Institute - *Kids KiwiSaver: Modelling Intergenerational Savings* (Rashbrooke et al.).

Insurance-linked KiwiSaver

- Booster - *Super Simple Life Insurance (SSLI)* product descriptions, underwriting rules, and accidental-death benefits tied to KiwiSaver.

Retirement income / decumulation

- Lifetime Retirement Income - *Income for Life product information and regulatory statements*, demonstrating NZ's only scaled decumulation product.
- New Zealand Society of Actuaries (RIIG) - decumulation rules-of-thumb, policy recommendations (summaries in Retirement Commission documents).

Housing, first-home withdrawals and political commentary

- I.D.E.A. Institute modelling of first-home impacts and policy options.
- General commentary in NZ Super & retirement policy reviews.

Ethical investment & stewardship

- Stewardship expectations, ethical-claim integrity, and climate-risk consideration referenced via FMA and Retirement Commission guidance.
- FMA enforcement direction on greenwashing & label accuracy (2022–2025 statements).

Taxation proposals

- Submissions to the Tax Working Group advocating preferential PIE treatment for retirement-income products (including submissions summarised in public TWG material).

Digital advice and AI

- FMA guidance on digital advice exemption conditions and the shift toward robo-advice.
- International comparisons from UK (auto-enrolment & re-enrolment), US 401(k) auto-escalation research (industry-standard publicly referenced material).

Moneyworks knowledge