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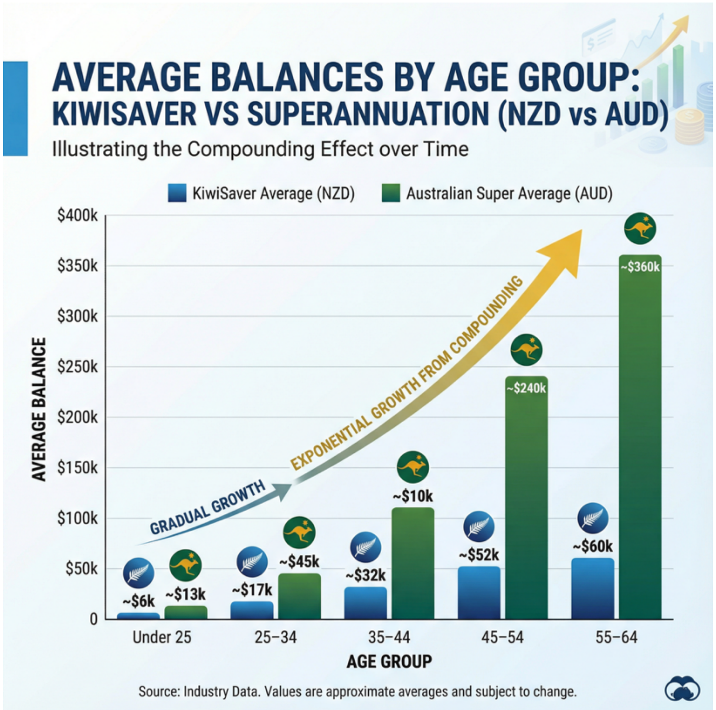
The KiwiSaver Series — 2026

White Paper #2 - KiwiSaver vs Australian Superannuation: Two Systems, Two Philosophies, Two Very Different Outcomes



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'd 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 even 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 beautifully. 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–$600,000 in super while they might have $60,000–$150,000 in KiwiSaver.

This article takes a clear, human look at the two systems:
how they began, how they evolved, how people behave inside them, and what the outcomes tell us.

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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 went in the opposite direction.

Australia's story: created through negotiation, then locked in with legislation

By the early 1980s, Australian unions were bargaining for superannuation coverage as part of wage negotiations. This meant workers effectively "traded" direct wage increases for employer contributions. When the Superannuation Guarantee (SG) was legislated in 1992, it didn't feel foreign — it was simply formalising what had already begun.

The milestone dates show its deliberate evolution:

- **1992:** SG starts at 3%
- **1995:** rises to 5%
- **2002:** reaches 9%
- **2021:** 10%
- **2024:** 11%
- **2025:** due to reach **12%**

Every increase added fuel to the compounding engine of Australian retirement savings.

By contrast, KiwiSaver's **3% + 3%** contributes far less to long-term wealth — and crucially, it isn't compulsory.

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
- a government contribution (MTC)

It was designed as a **nudge**, not a requirement.
And nudges work — but not as powerfully as mandates.

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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: designed in small steps

Most KiwiSaver members contribute:

- **3% employee** (out of after tax income)
- **3% employer** (less tax)
- **and receive the $260.72 annual member tax credit if they qualify (earnings under $180,000 pa and contribute 4 times that much in a year to 30th June)**

Many New Zealanders never increase their contribution rate unless encouraged by an adviser. This is where the behavioural nature of KiwiSaver becomes a strength and a weakness: it gets people started, but does not push them far.

Australian contributions: dramatically higher

Australia's contributions are structurally different:

- Employers contribute **11%**, rising to **12%**.
- Many Australians salary-sacrifice additional amounts.
- There is no equivalent government "top-up", because the incentives sit inside the tax system.

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 + $2,400 (less tax on the employer contribution)**, unless they make voluntary contributions.

This difference compounds over decades.

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3. Time: The Compounding Effect That Cannot Be Ignored

Australian Superannuation has been contributing to members' accounts since 1992 — **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
- 30 years of preservation
- 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
- less favourable tax treatment
- easier access to funds

Of course Australian balances are higher — the timeline alone makes the comparison unfair.

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4. Cultural Effects: How Systems Shape Behaviour

Perhaps the most interesting and least discussed aspect of these two systems is **how they shape national attitudes to money**.

Ask an Australian about their super and you'll often hear:

"I'll need about $600k–$1m to retire comfortably."

Ask a New Zealander and you're likely to hear:

"Well, I'll get NZ Super, and whatever I've saved will help."

The Australian system:

- forces people to take retirement savings seriously
- directs attention to investment performance
- builds discipline through compulsion
- embeds "preservation age" into cultural vocabulary

The Kiwi system:

- encourages saving without pressure
- keeps the universal pension as a central focus
- allows early access for housing, reinforcing shorter-term thinking
- treats retirement saving as optional rather than essential

Neither system is morally superior — but the behavioural outcomes differ profoundly.

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5. Contributions and Compulsion: The Engine Driving the Numbers

If you ever want to explain the difference between the two systems in one sentence, here it is:

Australia saves more because Australia *forces* people to save more.

It sounds blunt, but it's true. Everything downstream — average balances, investment sophistication, retirement confidence, and even corporate governance — flows from contribution levels.

KiwiSaver's contribution structure: small, simple, and familiar

KiwiSaver's 3% minimum employee contribution was set deliberately low[1] so that:

- people wouldn't opt out,
- employers wouldn't fight it,
- and the scheme wouldn't be politically controversial.

It worked. A low starting rate meant widespread adoption.
But the side effect is that most New Zealanders stay at the minimum.

[1] Initially set at 4%, then reduced to 3%

While advisers can encourage clients to lift their contributions to 4%, 6%, 8% or 10% and make voluntary contributions, behavioural inertia means few do so unless something forces or inspires them.

Australian SG contributions: a national lever for retirement outcomes

Australia's Superannuation Guarantee (SG) has functioned like a slow-moving national dial that determines retirement security. Every small increase — from 3% to 4%, from 4% to 5%, all the way up to 11% — has compounded across millions of accounts for decades.

Even a half-percent SG increase affects:

- total system size,
- long-term returns,
- industry fund investment strategies,
- national corporate governance,
- the Age Pension cost trajectory,
- and wage negotiations.

New Zealand has no equivalent lever. KiwiSaver is individual; Superannuation is systemic.

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6. Average Balances: The Numbers That Shock Most New Zealanders

When clients compare their KiwiSaver balances with their Australian relatives, they often feel discouraged. It's not a fair comparison. Systems that differ by 15 years in existence and triple the contribution rate will inevitably produce different results.

What the numbers show (using latest APRA, ATO and FMA data):

Age Group	KiwiSaver Average (NZD)	Australian Super Average (AUD)
Under 25	~$6k	~$13k
25–34	~$17k	~$45k
35–44	~$32k	~$110k
45–54	~$52k	~$240k
55–64	~$60k	~$360k

If KiwiSaver had been compulsory at 12% for 32 years, our numbers would look closer to Australia's — because investment returns are broadly similar across global markets.

The system design, not the fund managers, drives the difference.

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7. 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 (for employees after tax income and employers contributions are taxed)
- 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 (before-tax) contributions at **15%**, which is usually lower than the individual's marginal tax rate. For high earners, Division 293 adds an extra 15% surcharge, bringing the effective rate to 30% — still usually lower than their marginal rate.

Earnings in super are also taxed favourably:

- 15% on interest and dividends
- 10% on capital gains from assets held more than 12 months

Once a member moves into retirement phase, the tax rate on earnings in the pension account drops to **0%** (up to transfer balance cap limits).

This dramatically magnifies the compounding effect.

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8. 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: a brilliant success with a hidden cost

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,
- many members contributions are close to zero in their 30s or when they have purchased that first home,
- 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 (most commonly retirement).

This is powerful. It eliminates the temptation to treat superannuation like a medium-term savings pool.

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9. Embedded Insurance: The Big Difference No One Talks About Enough

Many New Zealanders don't realise that Australian super funds usually include:

- life cover,
- TPD (total and permanent disablement) cover,
- 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. It affects:

- net returns,
- contribution allocation,

- withdrawal behaviour,
- perceptions of the value of super.

This is one reason Australians see their super fund as:

- an insurer,
- an investment manager,
- a retirement provider,
- and sometimes even a quasi-employer benefit.

KiwiSaver is deliberately kept simpler. This simplicity has benefits — and limits.

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10. Fees: A Tale of Two Markets

Fees are fundamentally a scale story.

Australia's fee environment

Industry funds (not-for-profit) often have:

- lower admin fees,
- lower investment management fees,
- scale advantages in private markets,
- internalised investment teams managing billions.

Retail funds (AMP, bank-owned) historically had higher fees, but many have reduced them after the Royal Commission.

KiwiSaver's fee environment

KiwiSaver providers have:

- smaller member bases,
- lower balances,
- higher fixed costs per member,
- less ability to internalise investment functions.

This means KiwiSaver fees, while improving, will always differ structurally from Australia's.

But the flip side: KiwiSaver's simpler investment structure means fewer hidden cross-subsidies.

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11. 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's subtle, powerful, and always present — shaping how Australians think about their money, how they save, and the choices they make in their 50s and 60s.

New Zealanders don't experience anything like it.

Assets Test: The Retirement Balancing Act

As at the most recent thresholds, Australians face an assets test that reduces their Age Pension once their total assets exceed:

Household Type	Homeowner	Non-Homeowner
Single	$301,750	$543,750
Couple (combined)	$451,500	$693,500

For every $1,000 above the cut-off, the pension drops.
This structure creates behaviour.

New Zealanders often ask: **"Why would the government reduce my pension based on my savings?"**

Australians ask: **"How do I manage my assets so I don't lose too much pension?"**

Two different systems. Two different conversations.

Income Test: Deeming Rates Create Predictability

Australia simplifies the income test by deeming financial assets to earn a set rate, regardless of actual performance:

Category	Lower Rate	Upper Rate	Threshold
Single	0.25%	2.25%	$60,400
Couple	0.25%	2.25%	$100,200

This means:

- Australians can predict how the pension will be assessed
- They evaluate investment choices with the Age Pension in mind
- They become familiar with complex rules earlier in life

Deeming rules also encourage Australians to consolidate their super, reduce cash holdings, and invest in ways that optimise their means-tested outcomes.

The New Zealand Contrast: Freedom from Complexity

NZ Super remains universal.
It is:

- simple
- unconditional
- non-means-tested

This simplicity is powerful and comforting for New Zealanders — but it also means they are less incentivised to understand complex retirement income systems.

Australia's Age Pension framework creates a nation of people who understand:

- assets
- thresholds
- account-based pensions
- drawdown rates
- retirement phase taxation

Kiwis don't need to learn any of this. Which is both a blessing… and a limitation.

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12. Financial Literacy: A Tale of Two Systems

There's a deep and consistent theme in Australian research: compulsion breeds engagement.

Why Australians are more financially literate (on average)

1. **Higher balances command attention**
   A $350,000 balance is inherently more interesting than a $35,000 balance. People research what they own.
2. **More decisions to make**
   Australians often decide:

- whether to salary-sacrifice
- which fund to choose
- what insurance to retain
- how to transition to retirement phase
- whether to consolidate accounts

3. **Means testing forces planning**
   Australians often start thinking about retirement in their 40s and 50s because bad decisions have real consequences.
4. **SMSFs create a highly educated subset**
   Self-managed funds require active involvement, lifting the "literacy average" across the population.

Why New Zealanders remain simpler in their approach

1. **KiwiSaver balances feel "small" compared to super balances**
   Many members don't meaningfully engage until their 50s.
2. **The universality of NZ Super reduces urgency**
   There's no need to optimise around thresholds or tax rules.
3. **Fewer product features require less knowledge**
   No default insurance, no salary-sacrifice structures, simpler fund types.
4. **Withdrawal for first homes changes the story**
   For many, KiwiSaver's main purpose arrives at age 30, not 65.

This isn't a critique — it's a reflection of design. KiwiSaver's simplicity is a strength, but it does produce lower literacy and lower engagement.

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13. Wage Effects: Do Superannuation Contributions Reduce Take-Home Pay?

This is the debate that refuses to die in Australia — and for good reason.

The Treasury View: Yes, Super Replaces Wages

The Australian Treasury has been consistent:

Over time, compulsory employer super contributions reduce wage growth.

In economic terms, super contributions are part of "total remuneration".
If the employer must pay more in super, they have less room for wage growth.

The Union View: No, Super Is Separate

Unions argue that:

- wage deals and super deals are negotiated independently
- workers would not necessarily have received higher wages
- super represents savings that workers would not have made voluntarily

The "Truth in the Middle" Perspective (which Moneyworks takes):

1. In periods of **weak wage growth**, SG increases may slow wage rises.
2. In periods of **strong labour markets**, wage pressure overrides SG changes.
3. Over long periods, workers still end up significantly better off because the retirement savings dwarfs the small wage trade-off.
4. Without compulsion, most Australians would not voluntarily save the same amount — meaning SG on balance improves retirement outcomes.

For New Zealanders, this debate is largely irrelevant because KiwiSaver contributions are:

- lower,
- predictable,
- and never large enough to influence macro wage dynamics

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14. How Australia’s Super Pools Reshaped Corporate Power and Capital Markets

This is perhaps the most fascinating — and least appreciated — part of the story.

Australia’s superannuation system has grown into one of the world’s largest pension pools, with approximately **AUD $3.6 trillion** under management. To give this perspective:

- It is larger than the ASX by market capitalisation.
- It exceeds the size of Australia’s sovereign debt.
- It makes Australian funds major players globally.

This enormous pool has transformed:

1. Corporate Governance

Super funds are now major shareholders in ASX companies. They influence:

- board composition
- executive remuneration
- ESG policies
- climate transition strategies

Their votes matter — boards actively court their approval.

2. Infrastructure Ownership

Super funds have bought stakes in:

- airports (e.g., Sydney Airport)
- renewable energy assets
- toll roads
- hospitals
- data centres

New Zealand’s KiwiSaver can’t yet compete at this scale, though some providers invest in private markets through offshore partnerships.

3. The Investment Management Landscape

Australian super funds internalise investment teams because they have the scale to justify:

- hiring sector specialists,
- running private equity operations,
- managing global infrastructure portfolios.

This lowers fees and increases net returns.

4. Long-Term Economic Strategy

Super funds are now quasi-strategic economic players. Governments regularly consult them on:

- national energy policy,
- social infrastructure funding,
- corporate governance standards.

KiwiSaver providers have influence — but not this level of influence.

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15. SMSFs: The Australian DIY Retirement Culture

Self-Managed Super Funds (SMSFs) represent the do-it-yourself extreme of the Australian system. While they account for around a quarter of all superannuation assets, they serve a relatively small proportion of members.

Why SMSFs exist and thrive:

1. **Australians like control**
   The ability to choose specific investments — including property — is appealing.
2. **Tax planning opportunities**
   SMSFs allow:

- contribution timing strategies
- pension-phase planning
- estate structuring

3. **Behavioural ownership effect**
   When people run their own fund, they become emotionally invested — literally and figuratively.

But there are risks:

- cost efficiency only emerges at ~$300k–$500k
- compliance is complex
- poor diversification is common

- trustees face legal obligations many do not fully understand
- not all proposals for investing work out fo

No KiwiSaver equivalent exists, and it appears there is currently no appetite to create one.

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16. Withdrawal Rules: How Design Changes Behaviour

What people can do with their money determines how they view it.

KiwiSaver withdrawal options:

- First home
- Significant hardship
- Retirement at 65
- Permanent emigration (except to Australia)

These rules make KiwiSaver feel flexible.

Australian withdrawal rules:

- Preservation until age 60–67
- Strict hardship access
- Very limited exceptions
- Mandatory drawdown rules in pension phase

These rules make super feel *serious*.

This difference shapes national psychology more than any table of rules ever will.

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17. Cultural Consequences: How Systems Shape National Identity Around Money

Perhaps the most under-appreciated difference between KiwiSaver and Australian Superannuation is **how profoundly they influence national attitudes toward retirement, risk, investing, and security.**

Systems don't just hold money — they shape how people think.

New Zealand's culture of pragmatic optimism

New Zealanders tend to:

- trust NZ Super as a guaranteed base
- view KiwiSaver as a "nice to have" rather than a complete retirement solution
- show low stress about markets (until big volatility strikes)
- prioritise housing over superannuation

- avoid overcomplicating their finances unless required

There's a quiet Kiwi confidence that "it will work out," in part because the universal pension is a social stabiliser. No one falls through the cracks entirely.

Australia's culture of accumulation and competition

Australians, by contrast:

- think about retirement much earlier
- compare fund performance the way New Zealanders compare mortgage rates
- hold strong opinions about industry funds vs retail funds
- view super as a core part of their wealth
- follow SG increases like we follow OCR announcements
- talk about "my balance," "my fees," "my insurance."

Superannuation is part of Australian identity — especially for workers who have had compulsory contributions for their entire working lives.

The systems don't just differ in structure; they differ in **emotion**.

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18. The Behavioural Outcome: Two Different Stories at Retirement

The Australian retirement story

A typical Australian couple reaching retirement might have:

- $600k–$800k combined super
- a family home
- a structured drawdown plan
- a part-pension due to means testing
- insurance considerations in earlier decades that affected contributions
- strong familiarity with long-term investing

They often retire with:

- confidence,
- clarity,
- and a sense of agency.

Not because they're inherently more financially literate than New Zealanders — but because the structure made them become so.

The New Zealand retirement story

A typical New Zealand couple reaches retirement with:

- a mortgage mostly or fully paid off (hopefully),
- KiwiSaver balances between $60k and $200k each,
- no means testing,
- NZ Super as a stable income floor,
- minimal structural complexity

This story is not better or worse — just different.

Kiwis rely on:

- universal super
- modest KiwiSaver balances
- the equity in their home
- flexibility and frugality

The system expects less from individuals, and therefore individuals engage less.

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19. Strengths and Weaknesses: A Fair Comparison

KiwiSaver's strengths

- Simpler structure
- Low barriers to engagement
- Easy provider switching
- Universal pension removes retirement anxiety
- First-home withdrawal helps with intergenerational wealth transfer
- Fewer compliance burdens
- Lower insurance complexity

KiwiSaver's weaknesses

- Low contribution rates
- Voluntary nature means inconsistent engagement
- Lower balances at retirement
- Limited access to illiquid asset classes due to scale
- Less long-term discipline from preservation rules

Australian Super's strengths

- Massive compulsion = massive scale
- High balances dramatically improve retirement outcomes
- Strong tax incentives help compounding
- Preservation locks in investment discipline
- Industry funds deliver strong net returns
- Insurance embedded
- Funds able to invest in infrastructure and private markets

Australian Super's weaknesses

- Complexity
- Means testing anxiety
- Higher compliance burden on individuals
- SMSFs can underperform badly
- Confusing fee structures in some retail funds
- Wage growth debates
- Political vulnerability of concessional tax settings

No system is perfect — but both succeed within their own design contexts.

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20. 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:

1. Higher contributions change everything

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

2. Preservation creates better behaviour

While KiwiSaver's first-home withdrawal is valuable, it does reduce long-term balances.

3. Literacy follows money

As balances grow, engagement grows. KiwiSaver members with $150k+ behave much more like Super members.

4. Scale matters

KiwiSaver will continue to expand its access to private markets as assets grow.

5. 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.

6. Clear expectations reduce confusion

Australians know they need super + pension. New Zealanders often hope that NZ Super + savings + part-time work will suffice.

7. Realistic planning fills the gaps

Advisers play a critical role in helping New Zealanders build a realistic plan that bridges the contribution gap between the two systems.

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21. The Grand Comparison: Two Systems Serving Two Societies

If you zoom out from all the data, all the tax rules, all the behavioural research, and all the complexities, you eventually land on the real heart of the story:

****KiwiSaver is designed for choice. Australian Super is designed for certainty.****

New Zealanders value:

- autonomy,
- simplicity,
- and a universal safety net.

Australians value:

- accumulation,
- structure,
- and mandated responsibility.

Neither approach is inherently superior. But the outcomes cannot be compared directly because the systems are not designed to achieve the same thing.

KiwiSaver helps New Zealanders **do better**.
Australian Super helps Australians **do enough**.

KiwiSaver provides **flexibility**.
Super provides **discipline**.

KiwiSaver boosts **engagement**.
Super boosts **balances**.

Both systems work — for the societies that created them.

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