He kai kei aku ringa
The Crown-Māori Economic Growth Partnership

Whānau and Low-Income Household Savings Report

Te Māngai Penapena Pūtea – Financial Literacy and Savings Partner Working Group

He kai kei aku ringa: The Crown-Māori Economic Growth Partnership

Paenga-whāwhā 2015 – April 2015

The Financial Literacy and Savings Partner Working Group - Te Māngai Penapena Pūtea - has received support from the Ministry of Business, Innovation and Employment (MBIE) and Te Puni Kōkiri to complete this report. The report reflects the views of the Partner Working Group, and not necessarily those of MBIE or Te Puni Kōkiri, nor does it reflect Government policy.

He kai kei aku ringa
The Crown Māori Economic Growth Partnership

Whānau and Low-Income Household Savings Report

Te Māngai Penapena Pūtea – Financial Literacy and Savings Partner Working Group

He kai kei aku ringa:
The Crown-Māori Economic Growth Partnership

Paenga-whāwhā 2015 – April 2015

Ka tangi te tītī
The migratory bird that searches the globe for economic opportunities, it is connected to the home, but with a global view.

Ka tangi te kākā
The bird of the forest resources the domestic market.

Contents

Executive summary

He makuru huanui he whānau ora

Where there is an abundance of pathways there is whānau wellbeing

This report has been developed by the Financial Literacy and Savings Partner Working Group (the Group) as part of ongoing consideration of measures contributing to Goal 3 of He kai kei aku ringa: increased financial literacy and savings for Māori.

The Māori Economic Development Panel's He kai kei aku ringa Action Plan for 2012-2017 identifies a series of goals aimed at improving the utilisation and productivity of Māori assets in order to achieve better outcomes through He kai kei aku ringa: literally, to provide the food you need with your own hands.[1]

These goals focus on:

- Lifting Māori educational participation and performance (Goal 1);
- Supporting a skilled and successful Māori workforce (Goal 2);
- Increasing whānau financial literacy and savings (Goal 3);
- Government's partnership with Māori to enable economic growth (Goal 4);
- Active discussions around the development of natural resources (Goal 5); and
- Māori Inc. as a driver of economic growth (Goal 6).

In outlining measures to support Goal 3, increasing whānau financial literacy and savings, the 2012-2017 Action Plan describes the following recommendations:

- Consider the options for education and home ownership savings schemes for whānau and households on low incomes (Recommendation 8); and
- Ensure financial literacy services are meeting the needs of Māori whānau (Recommendation 9).

1 Māori Economic Development Panel (2012), *He kai kei aku ringa: The Crown-Māori Economic Growth Partnership, Action Plan 2012-2017.*

This report examines the options for whānau and low-income household savings schemes (He kai kei aku ringa Recommendation 8), and identifies several areas through which the Crown, iwi and interested parties and/or stakeholders could intervene to encourage positive savings behaviour on behalf of whānau and low-income households.

In considering these issues, we conducted research into global and local savings initiatives, and interviewed a number of stakeholders from within iwi/Māori business, academia, banks, iwi savings operations and ethical lending institutions in order to provide a range of additional views and opinions concerning whānau and low-income household savings measures.

We have identified a number of gaps in present savings service provision through reviewing and analysing current education, home ownership and retirement savings schemes available for whānau and low-income households. In this report, we suggest pragmatic and realistic responses to these gaps on behalf of the Crown, iwi, and other interested parties and/or stakeholder and identify areas in relation to whānau and low-income household savings behaviour that would benefit from additional research and investigation.

In considering these service provision gaps and possible measures in response, the following broader observations must be kept in mind:

- Whānau and low-income household savings behaviours cannot be examined in isolation of the broader dynamics concerning Māori household income, employment, wealth and socio-economic wellbeing;
- The most effective means to boost whānau and low-income household savings would be a lift in overall household income amongst lower socio-economic groups, however government policies such as tax incentives that redistribute income across groups have been shown to influence the tendency of low-income households to save[2];

2 Dynan, Skinner and Zeldes (2004), *Do the Rich Save More?*, in the Journal of Political Economy, p.397.

- Measures adopted under any of the He kai kei aku ringa recommendations must form a complementary set of initiatives aimed at developing both human and natural resources to improve Māori economic performance, and should not be progressed as discrete measures; and
- As identified in the He kai kei aku ringa strategy to 2040, measures taken in pursuit of any of the six goals identified need to cut across all sectors, as New Zealanders will only enjoy improved economic opportunities if the economy has the infrastructure, resources, skills and innovation systems to produce the people, ideas and products that are in global demand.[3]

In light of these broader observations, we have identified the following gaps in service provision in relation to savings schemes for whānau and low-income households:

- There is likely to be strong demand amongst iwi for a standardised savings scheme and/or funding template for whānau that could be customised by iwi according to their particular design preferences;
- There is also demand for the infrastructure supporting iwi-led savings schemes to be shared amongst iwi in order to reduce the level of ongoing costs associated with administering such schemes;
- There is a distinct 'lack of fit' between whānau demand for savings schemes and the rigid design features of KiwiSaver, particularly the age of entitlement to access savings, difficulties involved in signing up children and making third-party contributions to an individual's account, and the more limited range of purposes for which KiwiSaver funds may be withdrawn – this has created demand for more flexible savings schemes such as Whai Rawa;
- There is demand for improved governance over Māori land in order to provide many whānau with enhanced opportunities to save through encouraging better returns from Māori land that can be pooled more effectively;
- There is demand for more flexible mainstream banking products that are able to look beyond fixed criteria (such as mortgage lending eligibility based on individual or household income) to recognise the unique demographic trends pertaining to whānau and low-income households; and
- There is pressing demand to build a greater degree of tikanga Māori and Māori cultural values concerning wealth into financial literacy services offered in New Zealand, including the recognition of what "wealth" means to different groups. There is also a pressing demand for prioritising financial literacy within the standard school curriculum.

The following measures on behalf of the Crown, iwi and/or other stakeholders could provide pragmatic ways to encourage more positive whānau and low-income household savings behaviour:

- Iwi and government should work together to facilitate the development of a template for iwi-led savings schemes capable of being tailored to suit iwi priorities (e.g. iwi with a particular focus on whānau home ownership could design a scheme allowing for early withdrawal of retirement savings for the purposes of home ownership);
- Iwi and government should work together to drive the development and utilisation of infrastructure supporting iwi-led savings schemes, to be branded and promoted by individual iwi;
- The government should investigate the possibility of making minor changes to KiwiSaver legislation and regulations allowing for greater ease in signing children up to KiwiSaver (or alternatively designing a savings scheme specifically for children), and for greater ease in making third-party contributions to KiwiSaver accounts (including iwi contributions);
- The government should investigate options for the collection of KiwiSaver participation information according to ethnicity in order to enable trends in Māori KiwiSaver participation to be measured;
- The government should investigate the opportunities for developing a children-focused savings scheme focused primarily on savings for education and home ownership;

3 Māori Economic Development Panel (2012), *He kai kei aku ringa: The Crown-Māori Economic Growth Partnership, Strategy to 2040, p.15.*

- In addition to current reforms to Te Ture Whenua Māori Act 1993, the government should investigate ways in which governance over Māori land could be improved in order to provide for greater returns for whānau owning Māori land, which could then be contributed to greater savings on behalf of whānau;
- The government and iwi should work closely with banks concerning the development of banking products tailored to particular whānau demographics; and
- These measures to encourage whānau and low-income savings should be accompanied by changes to incorporate a greater level of tikanga Māori into financial literacy services available (as per the recommendations of the Group's report providing a snapshot of financial literacy services for Māori).

Together with other recommendations made under He kai kei aku ringa (most importantly recommendations concerning the provision of financial literacy services recently published by the Group[4]), the recommendations in this report form a suite of potential measures contributing to financial independence and autonomy for whānau and low-income households.

As noted in the report on financial literacy services by the Group, the challenge set by He kai kei aku ringa to continue dialogue between the Crown and iwi (as well as other stakeholders and interested parties) offers exciting opportunities for further kōrero, collaboration and development.

Our overall recommendation is that the recommendations contained within this report be the subject of consideration and discussion amongst stakeholders and Crown/iwi representatives. This will help to ensure the necessary connections are made between Recommendation 8 measures and measures to be considered in light of the remaining He kai kei aku ringa goals and recommendations.

4 Te Māngai Penapena Pūtea, the Financial Literacy and Savings Partner Working Group, *Goal 3: Financial Literacy and Savings: Snapshot of Financial Literacy Services for Māori (2014).*

Purpose

Mō tātou, ā, mō kā uri ā muri ake nei

For us and our children after us

This report:

- Reviews and analyses education, home ownership and retirement savings schemes available for whānau to determine gaps in service provision;
- Identifies opportunities for Crown and/or iwi intervention to promote savings schemes to whānau and better cater these schemes to whānau needs;
- Examines whānau and low-income household demand for tailored savings schemes to support continued discussion between the Crown, iwi and relevant stakeholders;
- Provides pragmatic recommendations for Crown and/or iwi measures to encourage whānau and low-income household savings in a manner cognisant of the range of work under consideration within He kai kei aku ringa; and
- Identifies areas requiring additional research and investigation.

Our intention in preparing this report is to enable the Crown, iwi and stakeholders to engage in further dialogue on measures to encourage whānau and low-income household savings for education and home ownership purposes. The recommendations of this report, together with the Group's recommendations on financial literacy, form a suite of recommendations aimed at fostering whānau financial independence and autonomy.

Our approach in preparing this report has been to review potential measures aimed at encouraging positive savings behaviour among low-income households primarily on the grounds of effectiveness and ease of implementation. This approach has involved the review of local and global case studies concerning measures to encourage this behaviour, such as the Saver's Tax Credit in the United States (discussed further below), as well as relevant literature on incentivising savings behaviour on behalf of low-income households.

Background

In 2011, the Minister of Māori Affairs and the Minister for Economic Development established an independent Māori Economic Development Panel (the Panel) and tasked the Panel with developing a Māori Economic Strategy and Action Plan. He kai kei aku ringa: the Crown-Māori Economic Growth Partnership is the final Strategy and Action Plan.

The Strategy describes the Panel's approach and thinking about roles and responsibilities and its vision for the Māori economy. It also sets out six goals for Māori economic development through to 2040. The companion Action Plan details 26 recommendations to achieve the six goals outlined in the Strategy.

He kai kei aku ringa was launched in November 2012 and is currently being implemented across the public sector, private sector and Māori Inc. This has involved the establishment and progression of numerous work streams as part of He kai kei aku ringa, including work streams focusing on Māori financial literacy measures and the development of a joint economic development agenda between the Ministry for Business, Innovation and Employment and Te Puni Kōkiri supporting emerging Māori business pilots.

A major component of the ongoing implementation of He kai kei aku ringa has been continued dialogue between Crown, iwi and industry representatives on goals for Māori economic development. Five Partner Working Groups were established at the launch of He kai kei aku ringa to continue this dialogue. These Groups comprise private sector and non-governmental organisations wishing to contribute to the implementation of the particular recommendations and goals of He kai kei aku ringa.

The Financial Literacy and Savings Partner Working Group (the Group) comprises subject matter experts and representatives of the following organisations:

- Teresa Tepania-Ashton, Acting Chair (Māori Women's Development Inc.);
- Teone Sciascia and David Tikao (Ngāi Tahu, Whai Rawa);
- Zella Morrison (Commission for Financial Capability);
- Manihera Forbes and Bryce Turner (Waikato-Tainui Te Kauhanganui Inc.);
- Tupara Morrison (Ngāti Whātua Ōrākei Whai Maia);
- Professor Diana Coben (University of Waikato);
- Dr Pushpa Wood (Westpac Massey Fin-Ed Centre); and
- Hinemaua Rikirangi and Bonar Vossen-Chong (BNZ).

The Group is supported by Te Puni Kōkiri and the Ministry of Business, Innovation and Employment.

Household savings in New Zealand

The state of New Zealand's household savings has long been identified as a subject requiring dedicated and continued policy intervention. In August 2010 the Government established the Savings Working Group to provide a point of reference for the Government as it developed medium-term savings strategies, and to stimulate public discussion on issues of national saving in the New Zealand economy.

The 2011 final report of the Savings Working Group, *Saving in New Zealand: Reducing Vulnerabilities and Barriers to Growth and Prosperity*,[5] notes the negative effect New Zealand's weak economic performance over preceding decades has had on household savings rates. This report states while there are weaknesses in data available regarding household savings, there are clear indications New Zealanders as a whole don't save as much as people in other OECD countries.

This observation is confirmed by OECD data showing that in 2013, the net savings of New Zealand households was 1.1% of their disposable income whereas that of Australia, the United States of America and Germany was 11.1%, 9.9% and 4.5%, respectively. The forecast net savings for New Zealand households as a fraction of their disposable income in 2015 is 1.7%, one of the lowest in the OECD.[6]

In its earlier report, *Saving in New Zealand: Issues and Options*, the Group noted that the net private saving rate over the period 1995 – 2010 as a percentage of GDP averaged around negative one per cent, suggesting New Zealand households and firms have been "dis-saving" over this period. The Group noted, however, that Government had contributed positively over the same period, contributing to national saving by around four per cent of GDP per year on average.[7]

The broad conclusion offered by the Savings Working Group is that New Zealanders would benefit from not only increasing their savings, but being encouraged to save more wisely through investing in more productive assets. In particular, the Group recommends changes to New Zealand's tax system to remove distortions that encourage investment in rental property over more diversified investment in, for example, New Zealand and offshore shares and bonds.[8]

The Group notes that lifting the level of savings in New Zealand should not be seen as merely a goal in its own right; that improved saving performance (both household and public) would help address economic imbalances, reduce New Zealand's indebtedness and likely contribute to improved economic growth.[9]

The need to lift our national household savings rates and encourage better (and more diverse) savings decisions, in particular on behalf of Māori and with the aim of addressing economic imbalances within society, is picked up within Goal 3 of He kai kei aku ringa, focusing on increasing whānau financial literacy and savings.

The He kai kei aku ringa Action Plan notes that financial literacy empowers whānau to make the most of their income and resources, and place them in the best position to build savings and financial assets, which are key aspects of financial self-determination and autonomy.[10]

The Action Plan states Māori households are lagging in terms of net economic wealth, and that it is imperative the whānau savings rates are improved. The Action Plan quotes BERL modelling demonstrating that Māori household income was 27% ($5.5 billion) less than expenditure.[11]

5 Savings Working Group (2011), *Saving New Zealand: Reducing Vulnerabilities and Barriers to Growth and Prosperity.*
6 OECD Factbook 2010: Economic, Environmental and Social Statistics, p. 45.
7 Savings Working Group (2010), *Saving in New Zealand: Issues and Options,* p. 3.
8 Savings Working Group (2011), *Saving New Zealand: Reducing Vulnerabilities and Barriers to Growth and Prosperity,* p. 9.
9 Savings Working Group (2010), *Saving in New Zealand: Issues and Options,* p. 3.
10 Māori Economic Development Panel (2012), *He kai kei aku ringa: The Crown-Māori Economic Growth Partnership, Action Plan 2012-2017,* p. 20.
11 BERL (2011), *The Asset Base, Income, Expenditure and GDP of the 2010 Māori Economy.*

The Plan also notes that in the 2006 census, 29% of Māori indicated that they owned or partially owned their own home, compared with 53.2% of the total New Zealand population.[12] This remained relatively unchanged in the 2013 census results, with 28.2% of Māori indicating that they owned or partially owned their own home, compared with 49.8% of the total population.[13]

The Action Plan notes that improved levels of household savings will be important for accessing tertiary education and building wealth for whānau. The Plan observes that increased levels of sustainable home ownership may indicate that whānau are building wealth while also providing the basis for whānau to develop their asset base (for example, by allowing whānau to leverage their home equity to build other investments, including starting up enterprises).[14]

The Action Plan recommends Government and iwi consider the options for education and home ownership savings schemes for whānau and households on low incomes. It lists lower rates of home ownership, assets and savings for Māori whānau than non-Māori as the motivation for this change, and notes that savings schemes designed and managed by individual iwi may help whānau to increase their savings. The Plan then includes a range of more specific actions Government and iwi could take in pursuit of this outcome. The full text of Recommendation 8 is quoted below.

While this report aims to identify savings measures aimed specifically at encouraging better savings behaviour by whānau and low-income households, He kai kei aku ringa Recommendation 8 should also be considered in light of the broader conversation around improving New Zealand's national and household savings behaviours and the particular challenges involved in doing so.

Recommendation 8 must also be considered in the context of the increasing role of iwi in administering and facilitating services with the aim of achieving self-determination and well-being for iwi members and Māori generally.

Examples of this increasing role are Ngāi Tahu's establishment of He Oranga Pounamu to facilitate and support the provision of health and social services support to Māori residing in Te Waipounamu, and Ngāti Porou's establishment of Oranga Whānau to offer a range of social services and support. For many iwi this role also involves the provision of advice and support for increasing the financial literacy and well-being of iwi members (for example through Ngāi Tahu's Whai Rawa investment fund, which provides financial literacy training and support to iwi members).

12 Statistics New Zealand, *2006 Census Data: QuickStats about Housing*.
13 Statistics New Zealand, *2013 Census Data: QuickStats about Housing.*
14 Māori Economic Development Panel (2012), *He kai kei aku ringa: The Crown-Māori Economic Growth Partnership, Action Plan 2012-2017,* p. 20.

He kai kei aku ringa recommendation 8

Recommendation 8 from the He kai kei aku ringa Action Plan is set out below:

Consider the options for education and home ownership savings schemes for whānau and households on low incomes	
Motivation for change	Māori whānau have lower rates of home ownership, assets and savings than non-Māori. Savings schemes designed and managed by individual iwi may help whānau increase their savings.
Action	Government and iwi to explore the merit and feasibility of establishing savings scheme(s) targeted at young Māori and other New Zealanders from low-income households, or increasing flexibility within existing schemes (such as KiwiSaver) to enable the accumulation of whānau savings for education, home ownership and other asset development. This may include schemes with a lower minimum savings threshold than KiwiSaver. Possibilities for consideration could include: • Iwi-managed savings schemes for their members, with possible Government contributions; • Managing existing savings scheme accounts so as to allow for whānau-pooling of resources for home ownership; and • wi contributions to the existing KiwiSaver accounts of iwi members.
Agent	Government (Treasury and IRD) and iwi, private sector.
Short- to medium-term output	Feasibility study completed and preferred option presented to Ministers for consideration by December 2013.
Long-term impact	Increased whānau savings. Higher rate of home ownership among Māori.

Stakeholder interviews

Ma te whakatau, ka mōhio
Ma te mohio, ka marama
Ma te marama, ka ora ai tātou

When we are shown, we come to know
When we know, we come to understand
When we understand, we all achieve wellness

In preparing this report, we conducted interviews with the following individuals (either in person or via conference call):

- Diana Crossan (Whai Rawa);
- Yasmin Jewell (Newtown Ethical Lending Trust);
- Susan St John (Retirement Policy and Research Centre, Auckland University);
- Kristen Kohere-Soutar (Whai Rawa, Kiwibank);
- Chris Rich (Te Tumu Paeroa);
- Tina Wilson (IwiInvestor); and
- Murray Wu (Kiwibank).

These individuals contributed a range of valuable insights and observations concerning whānau and low-income household savings behaviour and potential measures to encourage savings behaviour.

The Group would like to express their sincere gratitude to all interviewees for giving up their time to be part of the conversation around whānau savings and Māori economic development generally.

Whānau and low-income household saving measures

This section outlines and reviews the measures currently available to promote and encourage positive savings behaviour on behalf of whānau and low-income households, and describes our findings arising from research and stakeholder interviews.

The measures reviewed include those tailored specifically to encourage savings for retirement (e.g. KiwiSaver), as well as those designed for education and home ownership (e.g. Whai Rawa) and for broader saving purposes (e.g. banking products). This section also outlines and reviews measures designed with the broader purpose of boosting savings through increasing an individual's earning capacity (e.g. iwi/hapū education grants) or knowledge of the drivers to save (financial literacy services).

KiwiSaver

BACKGROUND

Since it began in July 2007, KiwiSaver has attracted approximately 2.4 million participants, making up around 59.4% of the population under 65 years of age.[15] As at February 2014 there were total funds of approximately $19 billion being managed across all KiwiSaver providers.[16] Anyone aged 64 and under who is entitled to live in New Zealand indefinitely and who normally lives in New Zealand is entitled to join KiwiSaver. Individuals under 18 years of age require parental consent to join.[17] As of 30 June 2013 there were 333,300 KiwiSaver members under 18 years of age.[18]

As a retirement savings scheme, KiwiSaver is primarily designed to cater for those in an employment relationship, however the self-employed and unemployed are still able to participate. Employee participants can choose to contribute 3%, 4% or 8% of their gross pay. With some exceptions, eligible participants aged 18 to 64 and starting a new job are automatically enrolled in KiwiSaver. New employees may choose to opt out from day 14 to day 56 of their employment.[19]

When a person joins KiwiSaver they receive a $1,000 tax-free "kick start" to their KiwiSaver account from the government. Members aged 18 and over also receive a "member tax credit" of 50 cents per dollar contributed (or part thereof) for the first $1,042.86 contributed per year.[20] KiwiSaver members are able to access all of their KiwiSaver contributions once they reach the age of entitlement for New Zealand Superannuation (currently 65), or once they have been a KiwiSaver member for five years, whichever occurs later. KiwiSaver contributions can also be accessed in the following circumstances:

- A one-off withdrawal after three years of membership to help participants buy their first home;

15 Inland Revenue, *KiwiSaver Annual Statistics,* retrieved May 2014.
16 Michael Littlewood, Retirement Policy and Research Centre, quoted in 'KiwiSaver not helping NZ – report', www.stuff.co.nz, accessed 16 July 2014.
17 Inland Revenue, *KiwiSaver* website, retrieved July 2014.
18 Inland Revenue, *KiwiSaver Annual Statistics*, retrieved May 2014.
19 Inland Revenue, *KiwiSaver website*, retrieved July 2014.
20 Inland Revenue, KiwiSaver website, retrieved July 2014.

- Serious illness or death;
- Significant financial hardship; or
- Permanent emigration from New Zealand to a country other than Australia.

Participation statistics regularly published by Inland Revenue do not include a breakdown of participation by ethnicity, making it difficult to assess the level of Māori participation in KiwiSaver compared against other groups.

There are currently around 29 organisations that provide KiwiSaver schemes to members of the public. Of these schemes, the IwiInvestor scheme offered by Taupō Moana Iwisaver Limited is the only Māori-owned KiwiSaver scheme.

FINDINGS

'Lack of fit' for Māori

Research and discussions with stakeholders suggests a general 'lack of fit' between KiwiSaver products and the particular demands for savings schemes that characterise the Māori population in New Zealand. This lack of fit is due primarily to a lack of flexibility regarding the age at which KiwiSaver members are able to access their savings; the purposes for which funds may be withdrawn early; and the difficulties involved with individuals other than a child's parents making contributions to that child's KiwiSaver account.

As noted above, KiwiSaver members are only able to access their contributions once they reach 65 years of age, with the exception of withdrawals for financial hardship, illness or death, or the purchase of a first home. However, with a difference of approximately seven years between the life expectancy for Māori and non-Māori,[21] this threshold prevents a greater proportion of Māori from accessing KiwiSaver funds than it does non-Māori.

Numerous stakeholders suggested increased flexibility in the KiwiSaver age of entitlement would allow for the greater use of KiwiSaver funds on behalf of Māori, and would likely lead to increased Māori participation in KiwiSaver. This suggestion has been echoed within numerous calls for the Māori age of superannuation entitlement to be lowered, perhaps most significantly by United Future leader Hon Peter Dunne, with support from the Māori Party.[22]

Stakeholders also suggested Māori would benefit greatly from being able to access KiwiSaver funds before reaching the age of entitlement for education purposes, as is the case with Whai Rawa (discussed below). It was argued that the withdrawal of funds for education purposes did not run counter to the retirement savings policy behind KiwiSaver, as funding used to support education was likely to have the dual purpose of increasing an individual's employment opportunities and earning potential and therefore enhancing their ability to save for retirement.

The suitability of KiwiSaver for children

This lack of fit was also raised regarding the suitability of KiwiSaver for children, in particular Māori children. Numerous stakeholders stated that one thing characterising Māori whānau dynamics is that many grandparents love to be able to contribute directly to savings accounts for their mokopuna. However, the requirement for parental consent in order for children to be signed up for KiwiSaver, combined with the difficulty of third parties (including iwi entities) in contributing to these accounts, makes KiwiSaver a less attractive option for those wanting to enrol their mokopuna in a savings scheme or make contributions to such a scheme.

Moreover, KiwiSaver is primarily designed to cater for the relationship between employers and employees, rather than for parents/grandparents and children. Many stakeholders suggested the design and introduction of a mainstream savings scheme for children, pointing to the successes of Whai Rawa in this area.

21 Statistics New Zealand, New Zealand Period Life Tables: 2010-12, 16 April 2013. Life expectancy at birth is 76.5 years for Māori females and 72.8 years for Māori males, compared with 83.7 years for non-Māori females and 80.2 years for non-Māori males.

22 *Flexible Superannuation Discussion Document,* August 2013, www.beehive.govt.nz.

The potential of KiwiSaver to amplify socio-economic inequality

It is this emphasis on the employee-employer relationship that is the subject of another criticism of KiwiSaver; that it contributes directly to socio-economic inequality. As noted by Gibson, Hector and Le in their article *The Distributional Impact of KiwiSaver Incentives*:[23]

> "Since KiwiSaver is a workplace savings scheme, it will amplify gender, ethnic, educational and other inequalities reflected in earnings and employment variations. Not only will wealth (and retirement income) gaps emerge between members and non-members, the differing levels of member and employer contributions and variation in the performance of KiwiSaver funds will also introduce inequality. While such inequalities might be considered an inherent feature of any saving scheme, they are likely to be compounded by the generous taxpayer incentives provided to KiwiSaver members."

This point is particularly pertinent for Māori, who continued to experience higher unemployment rates than other segments of the New Zealand population. This observation gives increased emphasis to the call for a savings scheme that is designed to cater for a range of individual situations, not just the employee-employer relationship.

23 John Gibson, Chris Hector and Trinh Le, *The Distributional Impact of KiwiSaver Incentives*, Social Policy Journal of New Zealand, Issue 36, August 2009, p. 112.

Is KiwiSaver improving New Zealand's national savings rate?

Some commentators have noted that for many KiwiSaver members, KiwiSaver involves simply transferring savings from one place to another in order to make the most of tax incentives.[24] In this way, KiwiSaver provides fewer benefits for individuals lacking the liquidity to be able to transfer savings around in order to reap these incentives.

One stakeholder interviewed was particularly vocal on this point, stating that there is strong research and evidence showing tax incentives designed to encourage better savings behaviour were unlikely to lead to greater outcomes for low-income households lacking the disposable income necessary to obtain the benefits. This stakeholder also stated that it is impossible to consider the low savings rates of a segment of the population without also considering that segment's overall level of debt, as it is extremely difficult for those managing high levels of debt to concentrate on saving for the future.

Opinion on KiwiSaver's overall effect on national savings rates appears to be divided: the Savings Research Group notes research showing nearly 40% of money saved in KiwiSaver would otherwise have been spent, and also states that even if this number is somewhat inflated, total funds in KiwiSaver can still be expected to exert some downward pressure on New Zealand's net foreign liabilities.[25]

However, other commentators such as Michael Littlewood of the University of Auckland's Retirement Policy and Research Centre stated that there was no way of knowing on the basis of present data whether New Zealanders would have saved as much without the introduction of KiwiSaver.[26]

24 For example, Savings Working Group (2011), Saving New Zealand: *Reducing Vulnerabilities and Barriers to Growth and Prosperity*, p. 9-10.

25 Savings Working Group (2011), *Saving New Zealand: Reducing Vulnerabilities and Barriers to Growth and Prosperity*, p. 10.

26 *Michael Littlewood, Retirement Policy and Research Centre, quoted in 'KiwiSaver not helping NZ – report', www.stuff.co.nz, accessed 16 July 2014.*

Whai Rawa

BACKGROUND

Whai Rawa is a specialised savings scheme established by Te Rūnanga o Ngāi Tahu in 2006 as a means to grow the long-term wealth of Ngāi Tahu whānau. It is a portfolio investment entity designed to encourage savings for the purposes of first home purchasing, retirement or tertiary education. Funds may be withdrawn for retirement from age 55. Whai Rawa is recognised as a retirement savings scheme under the Income Tax Act 2007.

Whai Rawa funds are invested in the Mercer Defensive Fund, and returns are calculated each quarter and allocated to members' accounts. Whai Rawa offers matched savings of $1 for every $1 saved by adult members between the ages of 16 and 64 (up to a maximum of $200 per year for each individual). For members under 16 years of age Whai Rawa offers matched savings of $4 for every $1 (up to a maximum of $200 per year for each individual). Elective members (those aged 65 and older) receive Kaumātua Grants rather than Whai Rawa matched savings.

From its inception through to 2010 Whai Rawa attracted 15,500 members of Ngāi Tahu contributing over $15 million worth of funds under management.[27] This has now grown to over 19,000 members, with a total pool of savings and investments of $35 million.[28] The scheme has been a particular success in terms of the enrolment of children, with more than two-thirds of Ngāi Tahu members under 16 years of age now enrolled. Since the establishment of Whai Rawa, over $18 million in matched savings, distributions and associated tax credits has been contributed by Te Rūnanga o Ngāi Tahu.[29]

Whai Rawa also involves a strong focus on developing financial literacy and a culture of saving among Ngāi Tahu whānau, and offers a range of educational tools for Whai Rawa members, including Papa Whairawa, a free part-time home-based financial literacy programme run by the Open Wānanga.[30]

Another key difference with the Whai Rawa scheme is that Te Rūnanga o Ngāi Tahu has stated that it will meet all costs involved in administering Whai Rawa (other than investment manager fees) until at least 30 June 2016.[31]

FINDINGS

Flexibility and ease of contribution

Stakeholders identified the flexibility of the Whai Rawa scheme as a key strength, and something that makes Whai Rawa such an attractive opportunity over other savings schemes such as KiwiSaver. The broader range of reasons for which withdrawals can be made (especially the ability to withdraw funds to support tertiary education) was identified as a particular strength of the scheme, as was the lower age at which members are able to access funds for retirement.

As stated by Te Rūnanga o Ngāi Tahu in their submission to the Savings Working Group in October 2010, "any policy regime designed to promote and encourage savings needs to allow for a range of savings vehicles that can meet different needs in different ways rather than attempting to impose a 'one size fits all' compulsory savings solution via KiwiSaver: such compulsion may put at risk the viability of schemes such as Whai Rawa that are already encouraging people to save for important life goals".[32]

Many stakeholders interviewed echoed this sentiment, stating that in order for a scheme encouraging savings to be successful, it must recognise a multiplicity of savings goals than just retirement or home ownership. The ability to withdraw savings in order to fund tertiary education was characterised as a key difference between Whai Rawa and KiwiSaver funds, and a core reason behind the popularity of Whai Rawa amongst Ngāi Tahu whānau. One stakeholder stated that for Māori, as for other segments of the population, saving for retirement was a

27 Te Rūngana o Ngāi Tahu, *Submission to the Savings Working Group*, October 2010.
28 Waatea News, *Whai Rawa tops 19,000 savers*, www.waateanews.com, accessed 17 July 2014.
29 Te Rūnanga o Ngāi Tahu, www.whairawa.com, accessed 17 July 2014.
30 Te Rūnanga o Ngāi Tahu, www.whairawa.com, accessed 17 July 2014.
31 Te Rūnanga o Ngāi Tahu, www.whairawa.com, accessed 17 July 2014.
32 Te Rūnanga o Ngāi Tahu, *Submission to the Savings Working Group,* October 2010.

less tangible goal than saving to support planned tertiary education.

Another key aspect of the flexibility with Whai Rawa is the greater ease with which contributions to an individual's Whai Rawa fund can be made. Numerous stakeholders made the positive comparison between Whai Rawa and KiwiSaver funds in this regard, stating that contributing to another person's KiwiSaver fund (e.g. grandparents wishing to contribute to funds on behalf of their mokopuna) was administratively difficult, whereas for Whai Rawa this process is more straightforward (the Whai Rawa provides a range of options for third party contributions, such as an automatic payment, internet banking transfer, ANZ deposit card, cheque, or PayPal payment[33]).

Attractive incentives

A crucial part of what makes Whai Rawa different from other schemes is the attractive incentives offered by Te Rūnanga o Ngāi Tahu, particularly for children participating in the scheme. The $4 for $1 incentive makes it especially attractive for family members to sign their children up; if $50 is contributed to a child's account every year from birth until the child turns 16, they will receive $200 in matched savings per year, giving a total value of $3750 (plus any interest accruing) by the time they reach 16 years of age from actual contributions of only $750.

With these incentives, combined with the strong motivation within Ngāi Tahu whānau to encourage better savings behaviour amongst whānau members, it is not difficult to see how the scheme has managed to attract more than two-thirds of Ngāi Tahu members aged under 16 years. The level of matched savings offered makes it extremely attractive to sign up eligible children.

Combination with financial literacy measures

Another key strength of Whai Rawa is the strong linkage between offering an attractive savings scheme and encouraging Whai Rawa members to engage in financial literacy and educational measures. Numerous stakeholders stated that this linkage has contributed significantly to levels of financial literacy amongst Ngāi Tahu whānau, particularly younger generations. This contribution has been demonstrated in the Financial Education and Research Centre's study into the financial behaviours of 18 to 22-year-olds, which showed that young people from Ngāi Tahu are more likely to have their own retirement savings and be more wary of debt that other individuals within their age group.[34]

Whai Rawa as a 'white label' savings scheme

The undertaking of Te Rūnanga o Ngāi Tahu to offer such attractive matched savings plus meet all costs involved in administering Whai Rawa (other than investment manager fees) would inevitably make the scheme costly for Ngāi Tahu to administer. As such, schemes such as Whai Rawa are likely to be out of reach of many iwi lacking the necessary governance and funding.

Numerous stakeholders raised the possibility of other iwi wishing to develop savings schemes for their members drawing from Whai Rawa as a 'white label' savings scheme. Under this scenario, other iwi could draw from the back-office infrastructure involved in administering Whai Rawa and re-brand it for marketing to their own whānau members. Under this scenario, other iwi could contribute to the costs of this back-office infrastructure without having to replicate these functions completely. One stakeholder mentioned the example of a Māori trust with a significant annual income (around $9 million) who wanted to establish a savings scheme similar to Whai Rawa but lacked the infrastructure to do this efficiently.

The proposal to share the back-office infrastructure of Whai Rawa in this way presumes other iwi wish to establish similar savings schemes; however it may be the case that other iwi wish to develop savings schemes for a different set of purposes, i.e. some iwi may wish to have a savings scheme designed exclusively to support tertiary education. In this case, it may be less suitable for these iwi to collaborate in sharing Whai Rawa back-office functions.

33 www.whairawa.com

34 www.massey.ac.nz/massey/about-massey/news/article, accessed 17 July 2014.

Banking products

BACKGROUND

In addition to specialised savings schemes such as KiwiSaver and Whai Rawa, whānau and low-income households also make use of mainstream banking products such as savings accounts and fixed-term deposits in order to consolidate their savings and work towards achieving savings goals.

The range of mainstream banking products also include products designed specifically to encourage individuals to work towards particular savings targets, and can also involve financial literacy training products and/or programmes. For example, all major banks operating in New Zealand offer a range of competitive savings schemes. Many mainstream banks also offer specialist Māori banking services, primarily for Māori business (e.g. ASB's Mahi Tahi service), but also for mortgages issued in respect of Māori land (e.g. Kiwibank's Kāinga Whenua loans).

Many of these banks also offer online educational money management programmes: Westpac offers 'Managing Your Money' online tutorials; ASB offers a range of online financial literacy tutorials for children; and BNZ offer a 'Be Money Smart' series of online budgeting and financial management tutorials.

FINDINGS

The level of uptake and engagement with mainstream banking products such as savings accounts and bank-offered financial literacy services on behalf of whānau and low-income households is difficult to assess based on available census data. While census data is able to give a picture of trends regarding household financial health (i.e. through listing average and median household revenue, expenditure, assets and debts), it is difficult to use this information to assess engagement with mainstream banking services.

Suggested 'lack of fit'

As with KiwiSaver, stakeholder interviews suggested a general 'lack of fit' between mainstream banking services and Māori. Numerous stakeholders stated that banks tailor and market banking products to suit a standard template of life stages that may not suit Māori as well as other segments of the population. For example, mortgage approval criteria involves the consideration of a household's ability to service mortgage payments, but may not be capable of taking into account Māori demographic trends and the fact that Māori tend to have children at a younger age than non-Māori.[35]

While it is reasonable for banks to rely on standardised criteria in considering mortgage applications, the nature of these criteria has the unintended consequence of making mortgages more difficult for Māori to obtain in comparison to other segments of the population.

Another element to this 'lack of fit' identified by stakeholders is the difficulty involved with using funds contributed on a collective basis as security against lending to an individual, for example in situations where a wider whānau pools funds as security for a mortgage to be issued to an individual.

Difficulties obtaining lending over Māori land

Another problem raised by numerous stakeholders is the continued difficulties experienced by Māori in obtaining lending over Māori land due to restrictions around the selling of Māori land. Given home ownership is such a central factor associated with saving for retirement, these difficulties have had widespread impact upon the ability for Māori to utilise the value of their homes to prepare for retirement.

To address this issue, in 2010 the Government in partnership with Kiwibank established Kāinga Whenua home loan lending. These are loans whereby Housing New Zealand takes security over a house built on multiply-owned Māori land, but not the land itself, allowing borrowers to obtain finance to build, buy or re-locate a home on Māori land.

35 Statistics New Zealand, *2013 Census Data: QuickStats about Māori.*

Evidence collected over the first year of operation for Kāinga Whenua suggests the scheme had resulted in only a small number of loans being granted, due primarily to a lack of accessible information concerning the scheme and the fact that Māori whānau still found it challenging to service lending obtained through the programme.[36] Current reforms to Te Ture Whenua Māori Act 1993 (see below) have the potential to make it easier for owners of collectively-held Māori land to obtain mortgage lending; however this will depend on the nature of these reforms as they progress.

There is potential for banks to direct additional efforts and energy into offering banking products, such as savings accounts and mortgages that are more effectively tailored to the demands of whānau, e.g. through providing different criteria for mortgage lending to Māori in recognition of the fact that Māori tend to have children at a younger age than non-Māori. This is an area that could benefit significantly from engagement between iwi and mainstream banks, with Crown support.

36 Office of the Auditor-General, *Government Planning and Support for Housing on Māori Land,* 15 August 2011.

Income derived from Māori land

BACKGROUND

The He kai kei aku ringa Action Plan also identified that current structures available for the governance of collectively owned Māori assets, including Māori land, were not necessarily conducive to making the best use of those assets.[37] As part of He kai kei aku ringa, a working panel was established to identify governance models for complex Māori ownership structures, and for up-skilling the abilities of those governing Māori assets.[38]

A particular aspect of these issues with governance over collectively owned land is the payment to land owners of nominal returns. This tends to occur often when trusts or other governance entities are only able to generate a modest return on lands owned by a large number of people. For example, one stakeholder interviewed stated that many beneficial owners of collective Māori land receive an annual return of between $5 and $50 each year.

FINDINGS

More effective governance over Māori land needed

Stakeholders made the observation that whānau savings could be boosted significantly through the more effective governance of collectively-owned Māori land, and through consolidating the income derived from such land in order to achieve greater returns.

The question of how to enable the more effective governance of Māori land is a difficult one, and involves the consideration of a myriad of factors such as the legal framework governing Māori land (Te Ture Whenua Māori Act and associated regulations), the isolated location of much Māori land, the fact that many tracts of Māori land are marginal and unproductive, and the history of long leases over Māori land being granted, often for minimal return.

37 Māori Economic Development Panel (2012), *He kai kei aku ringa: The Crown-Māori Economic Growth Partnership, Action Plan 2012-2017,* p. 25.

38 Māori Economic Development Panel (2012), Press release: *Significant Resources to Enhance Māori Governance*, 19 November 2012.

Reforms to Te Ture Whenua Māori Act 1993

One of the aims of current reforms to Te Ture Whenua Māori Act 1993 is to address ineffective governance over Māori land and empower owners of Māori land to achieve their aspirations in relation to their land.[39] The discussion document relating to these reforms notes that a lack of suitable governance experience and training has been identified as a significant issue for trustees and owners of Māori land.[40]

In progressing Te Ture Whenua Māori bill aimed at reforming the governance and management of Māori land, it is the Government's intention to provide an enabling institutional environment for the more effective governance and utilisation of Māori land.[41] The changes progressed by this bill may therefore contribute to increased savings on behalf of whānau with interests in collectively-held Māori land through enabling more effective decisions to be made concerning the utilisation of Māori land.

39 Te Ture Whenua Māori Act 1993 Review Panel (2013), *Discussion Document*, p. 3.
40 Te Ture Whenua Māori Act 1993 Review Panel (2013), *Discussion Document*, p. 21.
41 Associate Minister of Māori Affairs (2014), press release: *Te Ture Whenua Māori Act review report released,* 3 April 2014.

Iwi/hapū education grants

BACKGROUND

Many iwi and hapū governance entities offer grants to support education for whānau members. These grants provide much-needed support for whānau members who may otherwise have struggled to seek further education, especially tertiary education.

These education grants are important tools for iwi and hapū in seeking to boost the financial well-being of whānau members, as they contribute directly to the employability of whānau members and are likely to help prepare them to save for either home ownership or retirement.

FINDINGS

Involving grant recipients in ongoing iwi/hapū activity

A number of stakeholders commented on the importance of iwi and hapū education grants provided to whānau members, stating that they provided the means for many individuals to embark upon further study in situations in which they otherwise would not have been able to. Stakeholders also emphasised the importance of educating whānau members, particularly at a tertiary level, in order to better equip them to save.

A number of stakeholders pointed to examples in which iwi and hapū had included a commitment to ongoing involvement with iwi and hapū on behalf of the grant recipient following the completion of study in order to ensure that the benefits gained by the individual were shared amongst the wider group (for example, requiring grant recipients to present to other students on their experiences). These stakeholders stated that this was a necessary step in addition to offering these grants, as often the recipients of these grants were not compelled to give back to the wider group in any way. Stakeholders stated that this ongoing involvement also provided more visibility amongst the wider iwi or hapū of the benefits of committing to further education.

Tax incentives and subsidies

BACKGROUND

Many countries have sought to use tailored tax incentives and subsidies to encourage individuals to engage in better savings behaviour. One example of this is the "saver's credit", a United States federal programme providing financial incentives to encourage low- retirement savings of behalf of low-income earners. Enacted in 2001, the credit provides a federal income tax reduction of up to 50% of funds contributed to a qualified retirement saving's scheme. The saver's credit programme has resulted in a significant level of participation on the behalf of individuals in the US.[42]

As noted above, KiwiSaver participants aged 18 and over receive from the government a "member tax credit" of 50 cents per dollar contributed or part thereof for the first $1,042.86 contributed per year.[43] However, this is not a true tax credit; rather, it is a monetary contribution paid by the government via Inland Revenue, primarily to offset the tax paid on interest earned.

The Savings Working Group noted that taxes introduce a number of distortions affecting individuals' decisions, including decisions to save and invest. The Group noted that while tax changes may have a part to play in a wider package of reforms promoting increased and more efficient national savings, they are unlikely to deliver a significant increase in the level of national saving on their own.[44]

FINDINGS

Low-income households lack necessary liquidity

A number of stakeholders noted the difficulties involved in encouraging positive savings behaviour amongst low-income households through tax incentives and subsidies, stating that such households seldom have the financial liquidity necessary to move funds around in order to take advantage of such incentives. One stakeholder in particular was extremely critical of Government-sponsored tax incentives as a means to encourage low-income savings, stating that such incentives are highly likely to exacerbate inequality amongst socio-economic groups.

Difficulties in assessing effectiveness

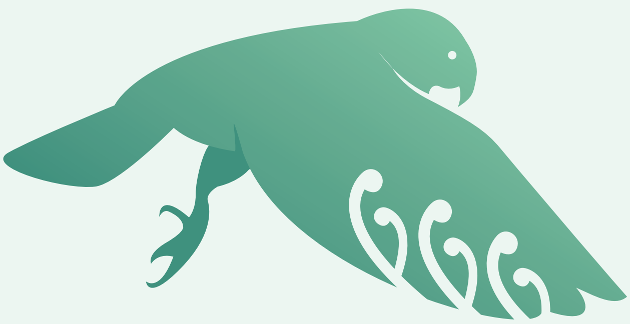
The Savings Working Group noted international evidence suggesting saving subsidies have a significant impact on how people save and a modest impact on how much people save.[45] The Group observed that there are significant difficulties in determining the extent to which tax incentives motivate people to reallocate existing savings to take advantage of tax incentives and the extent to which they create new savings.[46]

These difficulties are due primarily to the fact that complete and reliable data describing saving and consumption behaviour are only available at a few points in time; investigations of household behaviour are based on short data periods; and cross-country comparisons are often inconclusive due to differences in prevailing economic conditions and the nature and condition of the available data.[47]

42 Duflo, Gale, Liebman, Orszag, Saez (2007), *Savings Incentives for Low- and Moderate-Income Families in the United States: Why is the Saver's Credit Not More Effective?*, Journal of the European Economic Association, April-May 2007, p.647.
43 Inland Revenue, KiwiSaver home page, www.kiwisaver.govt.nz, accessed 17 July 2014.
44 Savings Working Group (2010), *Saving in New Zealand: Issues and Options*, p. 31.
45 Savings Working Group (2010), *Saving in New Zealand: Issues and Options*, p. 38.
46 Savings Working Group (2011), *Saving New Zealand: Reducing Vulnerabilities and Barriers to Growth and Prosperity*, p. 77-78.
47 Ibid.

Modest impacts

Reviews of the saver's credit scheme in the United States have shown that the scheme has had a modest but measurable impact upon the savings rates of low-income households, but that the scheme could have had a greater impact through making minor design changes, including making the credit refundable.[48] This reinforces the point concerning low-income household liquidity, as in order to take advantage of the saver's credit, a low-income household in the United States would need sufficient income from which to claim the non-refundable tax credit.



Financial literacy services

BACKGROUND

As part of Goal 3, the He kai kei aku ringa Action Plan includes a dual focus on improving whānau financial literacy as well as lifting levels of savings and home ownership. The Action Plan notes the centrality of financial literacy in allowing whānau to make the most of their income and resources, and places the in the best position to build savings and financial assets – key aspects of economic self-determination.[49]

The Action Plan refers to observations on behalf of the Commission for Financial Literacy and Retirement Income that while some Māori perform well in the financial and economic sectors, this has yet to be translated into successful performance in everyday money matters for the general Māori population.[50]

As part of the He kai kei aku ringa work programme, The Group recently released a report under Goal 3 providing a snapshot of financial literacy services for Māori. This snapshot report:[51]

- Analyses the current financial literacy services offered to Māori and compares this with the needs of whānau to identify gaps in service provision;
- Identifies a number of issues considered to be potential barriers to building Māori financial literacy;
- Identifies key process elements that need to be considered in tailoring financial literacy services for Māori; and
- Makes a number of recommendations to help ensure financial literacy services are meeting the needs of Māori whānau.

48 Duflo, Gale, Liebman, Orszag, Saez (2007), *Savings Incentives for Low- and Moderate-Income Families in the United States: Why is the Saver's Credit Not More Effective?*, Journal of the European Economic Association, April-May 2007, p.649.

49 Māori Economic Development Panel (2012), *He kai kei aku ringa: The Crown-Māori Economic Growth Partnership, Action Plan 2012-2017*, p. 16.

50 Ibid.

51 Te Māngai Penapena Pūtea, the Financial Literacy and Savings Partner Working Group, Goal 3: *Financial Literacy and Savings: Snapshot of Financial Literacy Services for Māori* (2014), p. 4.

FINDINGS

The dual focus within Goal 3 of He kai kei aku ringa, together with the strong correlation and interdependencies between recommendations 8 and 9, make it essential to incorporate a comprehensive approach to the issues of boosting whānau savings and financial literacy. Any recommendations for ways to improve outcomes for whānau in either of these areas must recognise these interdependencies.

It is not within the scope of this report to re-examine or replicate any of the recommendations made by the Group concerning whānau financial literacy measures. However, stakeholders interviewed did provide several noteworthy observations concerning the centrality of financial literacy measures to boosting whānau savings.

Strong dependencies between financial literacy and boosting savings

All stakeholders interviewed agreed on the mutual dependencies between measures to boost both whānau savings and financial literacy. One stakeholder stated that without improving whānau financial literacy and "bringing conversations about money to the dinner table", any efforts to boost whānau savings were likely to be extremely difficult.

Recognising diverse conceptions of wealth

Another stakeholder stated that boosting whānau savings and financial literacy has to start with the recognition of the multiplicity of conceptions around wealth: what it means to be wealthy both between and within different cultures; and how different groups within New Zealand society view financial wealth in relation to other aspects of whānau or family life. This stakeholder made the point that conversations around wealth and financial literacy tend still to be dominated by western conceptions of wealth. Instead, notions of financial wealth and savings need to be tied to mana and social standing.

The example was given of whānau, hapū and iwi being able to provide food for manuhiri at marae, and the enhancement of mana this can provide. It was stated that this connection between financial wealth, mana, and manaakitanga could be used to more effectively convey messages around the importance of a whānau, hapū or iwi having a strong degree of financial literacy or "mana pūtea".

The contribution of KiwiSaver and Whai Rawa to financial literacy

The Savings Working Group found that KiwiSaver does seem to be boosting New Zealand's financial literacy in the following ways:[52]

- Through increasing the number of New Zealanders with dedicated retirement saving's accounts, KiwiSaver has increased the volume of people interested in learning about savings options;
- Through increasing the value placed on financial planning; and
- Getting children enrolled in KiwiSaver and encouraging positive early financial habits.

Numerous stakeholders interviewed pointed out the benefits of Whai Rawa's strong focus on Ngāi Tahu whānau financial literacy, especially with children under the age of 16. It was stated the use of attractive matched savings incentives for children in combination with financial literacy measures was an effective way of both reaching the target audience and conveying the right messages around the importance of financial literacy to savings and financial well-being in general.

52 Savings Working Group (2011), *Saving New Zealand: Reducing Vulnerabilities and Barriers to Growth and Prosperity*, p. 108.

Gaps between service provision and needs

Ma whero ma pango ka oti ai te mahi
With red and black the work will be completed

Through examining the measures detailed above, this report has identified a number of gaps between whānau and low-income household demands for measures to encourage positive savings behaviour and the measures currently available. These are detailed below.

Template for iwi-led savings schemes

Research and stakeholder interviews have shown a clear interest in iwi-sponsored whānau savings schemes. The limitations of KiwiSaver schemes regarding Māori participants, together with the significant uptake of Whai Rawa by Ngāi Tahu whānau, suggest whānau are looking for savings schemes that are better suited to their particular savings goals and needs.

Given these limitations, there could be strong demand amongst iwi for a standardised savings scheme template that could be customised according to particular design preferences. For example, iwi wishing to focus more on boosting whānau home ownership could draw upon the template scheme but make it easier for whānau members to withdraw savings for the purchase of a home. The reliance on a standardised template would allow iwi a head start in developing tailored savings schemes for whānau, and would likely reduce the costs involved.

The notion of developing a standardised funding or saving template that could be drawn upon by iwi has also been suggested by New Zealand Superannuation Fund CEO Adrian Orr. He suggests New Zealand is in the best position to establish a template for funding that could be drawn upon by indigenous groups around the world, and that the use of such a template would mean groups don't have to keep starting from scratch in designing such schemes and absorbing the significant costs associated.[53]

53 Pacific Business (2014), *Money Matters*, www.pacificbusiness.co.nz, accessed 17 July 2014.

Shared infrastructure for iwi-led savings schemes

In addition to the use of a standardised savings template, there is also great potential for iwi to share the infrastructure involved in administering savings schemes such as Whai Rawa. While Ngāi Tahu has seen an encouraging level of whānau uptake with Whai Rawa, the infrastructure necessary to administer the scheme and the associated level of ongoing costs involved make such a scheme beyond the wherewithal of many iwi, particularly those who may be less advanced in the pursuit of their commercial goals.

An agreement between multiple iwi to share and draw upon the infrastructure underpinning iwi-led savings schemes such as Whai Rawa would allow each iwi to brand and promote their scheme to whānau members without starting completely from scratch. This potential was identified by numerous stakeholders during interviews.

'Lack of fit' regarding available savings schemes

A strong theme to emerge from research and stakeholder interviews was the 'lack of fit' between whānau demands for savings schemes and the rigid nature of KiwiSaver, particularly regarding the age of entitlement, the difficulties involved in signing up grandchildren, the difficulties in making third-party contributions to an individual's KiwiSaver account, and the limited range of purposes for which KiwiSaver funds may be withdrawn.

There also appears to be significant whānau demand for savings schemes tailored for children, as well as those designed specifically to encourage saving for the purposes of funding tertiary education and purchasing a home. While many children under the age of 16 have been signed up for KiwiSaver accounts, the scheme is not well-designed for children as it is primarily orientated around the relationship between employee and employer.

Similarly, while KiwiSaver does allow for first-home buyers to withdraw their savings together with employee contributions, the overall design of KiwiSaver strongly suggests this provision has been incorporated as an afterthought rather than being consciously built into the core design decisions. This observation was noted by multiple stakeholders.

This suggests there is a level of demand amongst whānau and low-income households for savings schemes tailored specifically for children, and for the purposes of saving for tertiary education and home ownership.

Income derived from Māori land

Research and stakeholder interviews also point to inadequate or inefficient governance over Māori land as a factor contributing to low savings rates for whānau, with numerous stakeholders stating that many whānau receive limited returns from whānau-owned Māori land.

Many stakeholders identified the potential in lifting the productivity of Māori land through more effective governance, and ensuring that the returns from this land were invested wisely in accordance with the wishes of whānau, either collectively or by individual whānau themselves. One stakeholder identified the legal regime governing the administration of Māori land, Te Ture Whenua Māori Act 1993, as a factor contributing to inefficient and ineffective governance over Māori land.

Stakeholders stated that for many whānau receiving nominal returns from Māori land, these returns should be pooled in order to facilitate whānau goals such as home ownership, or should be reinvested in collective governance entities to contribute to wider investment aims.

Mainstream banking products

There appear to be significant limitations concerning the appropriateness of mainstream banking products in catering to whānau demands. Mainstream banking products are designed around a range of standardised criteria which are often unable to best serve whānau needs.

One example of this identified in research and stakeholder interviews is that of mortgage approval criteria, which involves the consideration of a household's ability to service mortgage payments, but may not be capable of taking into account Māori demographic trends and the fact that Māori tend to have children at a younger age than non-Māori.

Financial literacy

As identified in the Group's report providing a snapshot of financial literacy services for Māori, there is a pressing demand to build tikanga Māori and Māori values concerning wealth into financial literacy services offered in New Zealand. Many stakeholders reiterated this point, with one stakeholder stating that financial literacy services must recognise the multiplicity of conceptions of what wealth means to different groups. There is also a pressing demand for prioritising financial literacy within the standard school curriculum.

Recommendations

Ka whati te tai, ka pao te tōrea

When the tide ebbs, the oyster catcher strikes

In light of the gaps in service provision between whānau and low-income household demands for measures to encourage positive savings behaviour and the measures currently available, this report identifies a range of measures on behalf of the Crown, iwi and/or other stakeholders to encourage more positive whānau and low-income household savings behaviour.

Together with other recommendations made under He kai kei aku ringa (most importantly recommendations concerning the provision of financial literacy services recently published by the Group[54]), the recommendations in this report form a suite of potential measures contributing directly to financial independence and autonomy for whānau and low-income households.

The measures identified to encourage more positive whānau and low-income household savings are as follows:

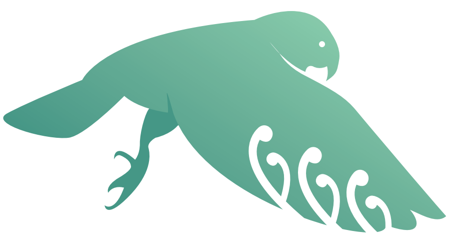
- Iwi and government should work together to facilitate the development of a template for iwi-led savings schemes capable of being tailored to suit iwi priorities (e.g. iwi with a particular focus on whānau home ownership could design a scheme allowing for early withdrawal of retirement savings for the purposes of home ownership);
- Iwi and government should work together to drive the development and utilisation of infrastructure supporting iwi-led savings schemes, to be branded and promoted by individual iwi;
- The government should investigate the possibility of making minor changes to KiwiSaver legislation and regulations allowing for greater ease in signing children up to KiwiSaver (or alternatively designing a savings scheme specifically for children), and for greater ease in making third-party contributions to KiwiSaver accounts (including iwi contributions);
- The government should investigate options for the collection of KiwiSaver participation information according to ethnicity in order to enable trends in Māori KiwiSaver participation to be measured;
- The government should investigate the opportunities for developing a children-focused savings scheme focused primarily on savings for education and home ownership;
- In addition to current reforms to Te Ture Whenua Māori Act 1993, the government should investigate ways in which governance over Māori land could be improved in order to provide for greater returns for whānau owning Māori land, which could then be contributed to greater savings on behalf of whānau;
- The government and iwi should work closely with banks concerning the development of banking products tailored to particular whānau demographics;
- These measures to encourage whānau and low-income savings should be accompanied by changes to incorporate a greater level of tikanga Māori into financial literacy services available (as per the recommendations of the Group’s report providing a snapshot of financial literacy services for Māori); and
- As noted in the Group’s report on financial literacy services, the challenge set by He kai kei aku ringa to continue dialogue between the Crown and Iwi (as well as other stakeholders and interested parties) offers exciting opportunities for further kōrero, collaboration and development.

Our overall recommendation that the recommendations contained within this report be the subject of consideration and discussion amongst stakeholders and Crown/iwi representatives. This will help to ensure the necessary connections are made between Recommendation 8 measures and measures to be considered in light of the remaining He kai kei aku ringa goals and recommendations.

54 Te Māngai Penapena Pūtea, the Financial Literacy and Savings Partner Working Group, *Goal 3: Financial Literacy and Savings: Snapshot of Financial Literacy Services for Māori* (2014).

Bibliography

- Associate Minister of Māori Affairs (2014), press release: *Te Ture Whenua Māori Act review report,* released 3 April 2014
- Office of the Auditor-General (2011), *Government Planning and Support for Housing on Māori Land,* 15 August 2011
- Beehive website (2013), *Flexible* Superannuation *Discussion Document*, August 2013, www.beehive.govt.nz
- BERL (2011), *The Asset Base, Income, Expenditure and GDP of the 2010 Māori Economy*
- Duflo, Gale, Liebman, Orszag, Saez (2007), *Savings Incentives for Low- and Moderate-Income Families in the United States: Why is the Saver's Credit Not More Effective?*, Journal of the European Economic Association, April-May 2007
- Dynan, Skinner and Zeldes (2004), *Do the Rich Save More?*, in the Journal of Political Economy
- John Gibson, Chris Hector and Trinh Le (2009), *The Distributional Impact of KiwiSaver Incentives*, Social Policy Journal of New Zealand, Issue 36, August 2009
- Inland Revenue (2014), *KiwiSaver Annual Statistics*, retrieved May 2014
- Inland Revenue (2014), KiwiSaver website, retrieved July 2014
- Inland Revenue (2014), KiwiSaver home page, www.kiwisaver.govt.nz, accessed 17 July 2014
- Michael Littlewood (2014), Retirement Policy and Research Centre, quoted in 'KiwiSaver not helping NZ – report', www.stuff.co.nz, accessed 16 July 2014
- Māori Economic Development Panel (2012), *He kai kei aku ringa: The Crown-Māori Economic Growth* Partnership*, Action Plan 2012-2017*
- Māori Economic Development Panel (2012), *He kai kei aku ringa: The Crown-Māori Economic* Growth *Partnership, Strategy to 2040*
- Māori Economic Development Panel (2012), Press release: *Significant Resources to Enhance Māori* Governance, 19 November 2012
- Massey University (2014), www.massey.ac.nz/massey/about-massey/news/article, accessed 17 July 2014
- Te Rūngana o Ngāi Tahu (2010), *Submission to the Savings Working Group*, October 2010
- Te Rūnanga o Ngāi Tahu (2014), www.whairawa.com, accessed 17 July 2014
- OECD Factbook (2010): Economic, Environmental and Social Statistics
- Pacific Business (2014), *Money Matters*, www.pacificbusiness.co.nz, accessed 17 July 2014
- Savings Working Group (2011), *Saving New Zealand: Reducing Vulnerabilities and Barriers to Growth and Prosperity*
- Savings Working Group (2010), *Saving in New Zealand: Issues and Options*
- Statistics New Zealand (2006), *2006 Census Data: QuickStats about Housing*
- Statistics New Zealand (2013), *2013 Census Data: QuickStats about Housing*
- Statistics New Zealand (2013), *2013 Census Data: QuickStats about Māori*
- Statistics New Zealand (2013), New Zealand Period Life Tables: 2010-12, 16 April 2013
- Te Māngai Penapena Pūtea, the Financial Literacy and Savings Partner Working Group (2014), *Goal 3: Financial Literacy and Savings: Snapshot of Financial Literacy Services for Māori* (2014)
- Te Ture Whenua Māori Act 1993 Review Panel (2013), *Discussion Document*
- Waatea News, *Whai Rawa tops 19,000 savers*, www.waateanews.com, accessed 17 July 2014



© Te Puni Kōkiri 2015 **ISBN 978-0-478-34552-0** **April 2015**

DISCLAIMER The information contained in this publication is for general information only. While every effort has been made to ensure the accuracy of the information, because the information is generalised, its accuracy cannot be guaranteed. Readers are advised to seek independent advice on particular matters and not rely on this publication. No liability is assumed by Te Puni Kōkiri for any losses suffered directly or indirectly by any person relying on the information contained in this publication.

He kai kei aku ringa

The Crown-Māori Economic Growth Partnership

Te Māngai Penapena Pūtea – Partner Working Group

Te Puni Kōkiri
REALISING MĀORI POTENTIAL

MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

New Zealand Government