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Sensible budgeting **15/05/11**

I am not a political person and I don't pay a lot of attention to political debate because much of it seems to be more about point scoring than about moving New Zealand forward. But come Budget time, my ears prick up because big decisions announced on Budget day dictate what the next twelve months will look like.

You've got to feel for any politician preparing a Budget. It's hard enough to balance a household's accounts let alone a country's. You just can't make a silk purse out of a sow's ear – if a household or a country has spent more than it's earned, and has borrowed to fill the gap, it has little choice but to increase income or reduce expenditure. Increasing income is really hard because it's not necessarily under our control and it's not usually achieved in a short timeframe. Reducing expenditure is somewhat easier but is still hard because it means giving up on something.

Preparing a Budget in an election year is especially hard. Even if they've done all the right things in their first two years of Government, John Key and Bill English have to face the reality that they will brass off at least some of the voters with their Budget because something has got to give. The second Christchurch earthquake made sure of that.

Last year's Budget introduced tax changes that were designed to encourage New Zealanders to save and invest outside the property sector. I applauded this because it is taking our country in the right direction strategically. This year, the Government is going to fiddle with KiwiSaver, and I am less keen on that because tinkering just undermines confidence.

Having said that, judging by the limited comment we've had from Key to date, the tinkering won't undermine the strategic thrust of KiwiSaver, which is to get Kiwis to save more. True, he's going to reduce the Government's member tax credits and therefore reduce the incentive to join KiwiSaver, but incentives will still remain. And importantly, the changes are going to encourage individuals to save more for themselves, rather than rely on the government.

We all know that the government can't afford to keep us in the retirement lifestyle we'd like – they couldn't afford it before the GFC and the Christchurch earthquakes, and they certainly can't now.

So are the Budget changes enough to derail KiwiSaver? Of course not. The early adopters have enjoyed financial assistance from the Government which has contributed to their growing KiwiSaver balances. For many, those growing balances have now become far more of an incentive than the annual $1043 tax credit.

For newcomers, there will still be a $1,000 kickstart payment and, if I read Key's comments correctly, some annual tax credits, albeit at a reduced level.

I look forward to the Budget day when KiwiSaver doesn't even feature because Kiwis have realised that the financial incentives are nice, but the real incentive to save is in the lifestyle that they'll enjoy because they committed to a personal savings plan that helped them reach their financial goals.

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