



Fisher Funds Investor Education Centre

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Sometimes we need to be told 23 October 2011

I recently asked John Key why he kept pussy-footing around with KiwiSaver soft compulsion, rather than making it compulsory and turbo-charging our much-needed national savings. He acknowledged that making saving compulsory would help safeguard our future, however there were myriad issues that needed to be dealt with, not least being the affordability for a lot of Kiwis.

Now Bill English has kick-started the election campaign with confirmation of a policy that will see every New Zealander enrolled in KiwiSaver, but with the ability to opt out within a certain timeframe.

Bloggers have lined up to complain that they don't want to be forced into KiwiSaver because they'd rather pay off their mortgage. Or they don't want to be forced to save or to put money in the hands of dastardly fund managers, when they could do better if left to their own devices.

Nobody likes compulsion, soft or otherwise, but the reality is that sometimes we do need to be told what to do.

We might have the very best intentions, but we don't always do the right thing.

We set New Years goals to lose weight or stop drinking, but by February, we're back into bad habits. And so it is with saving – we might think we'll get around to saving after we've paid off our mortgage, but we don't. And then it's too late, and we will need to rely on our fellow countrymen to pay for our retirement lifestyle. That might be okay if there were just a few with bad habits, but the reality is that too many of us are failing to save properly, so we need a bit of compulsion.

Another argument I heard this week is that people would be better off paying their mortgage and using the family home as their retirement asset, rather than bothering with KiwiSaver.

This argument is flawed for two reasons – firstly, a family home should not be regarded as an investment that can be realised to provide a retirement income. Who wants to be forced to sell their family home to meet day to day living costs in retirement? And what say we all want to sell our family homes to fund our retirement lifestyle? Who's going to buy them?

Relying on our family home as our sole retirement asset also breaks the fundamental investment rule of diversification.

There will clearly be people who simply can't afford to join KiwiSaver and they will have the opportunity to opt out (or opt in later). And some might join KiwiSaver and find it unaffordable at a later point. They will be able to take a contributions holiday, and then re-join when things improve.



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There is no denying that money we are forced to contribute to a KiwiSaver scheme is money that is not available to us to spend or invest elsewhere. But that's not always a bad thing. Over time we might well find that being forced to save has been very much for our own good.