



CHiLD
POVERTY
ACTION
GROUP

Submission on the Retirement Income Review 2019

To the **Commission for Financial Capability**

This submission is from:

Child Poverty Action Group Inc.
PO Box 5611,
Wellesley St,
Auckland 1141.

<http://www.cpag.org.nz>

Child Poverty Action Group (CPAG) is an independent charity working to eliminate child poverty in New Zealand through research, education and advocacy. CPAG believes that New Zealand's high level of child poverty is not the result of economic necessity, but is due to policy neglect and a flawed ideological emphasis on economic incentives. Through research, CPAG highlights the position of tens of thousands of New Zealand children, and promotes public policies that address the underlying causes of the poverty they live in.

Child Poverty Action Group (CPAG) is pleased to have the opportunity to comment on the Retirement Review and applaud that the terms of reference include intergenerational concerns.

We request that our submission is heard orally.

Summary

Based on the background paper on fiscal sustainability (St John and Dale, 2019), CPAG questions the wisdom of continuing contributions to the New Zealand Super Fund (NZSF) and the failure to count NZSF assets in the calculations of net debt.

CPAG strongly supports the proposal for the New Zealand Superannuation Grant (NZSG) to be paid to all superannuitants, and a separate tax scale apply for other gross income. In

effect, for New Zealand Super (NZS) to be clawed back from the top 10-15% of earners receiving NZS.

We urge the Commission for Financial Capability (CFFC) and the Minister for Consumer Affairs to properly investigate this proposal.

Questions and answers

In response to some of the questions on the CFFC website:

Is the government doing enough to support the financially vulnerable and low-income groups to prepare for their retirement?

No. The government is not doing enough to support financially vulnerable and low-income groups. CPAG have consistently highlighted New Zealand's unacceptable levels of family poverty and homelessness, as well as the increasing high income and wealth inequality.¹

These issues need to be addressed with urgency. We refer you to our recent publication 'The experts can all agree' which details immediate improvements to the welfare system that are required.²

House prices and other market factors are putting pressure on Kiwis, putting home ownership out of reach for many. How do you think this is going to impact KiwiSaver and/or NZ Super?

There has been a clear failure to deal with the taxation of housing which, in turn, has perpetuated inequality and child poverty. We advocate for a proper, comprehensive net equity housing tax. We refer you to our submission to the Tax Working Group which details our position more fully.³

Do you think we can afford to keep paying for NZ Super as it's currently set?

CPAG strongly supports the proposal for the New Zealand Super Grant (NZSG) to be paid to all superannuitants, and a separate tax scale apply for other gross income. That is, NZS is clawed back from the top 10-15% of earners receiving the NZS.

The current system is perpetuating inequality. At the moment, families and other taxpayers are paying taxes to not only fund current pensions, but also to help fund their own state pension via the contributions to the New Zealand Super Fund (NZSF). These contributions would be of greater value invested in the working age population and their children.

As noted in the background paper, money will start to trickle out of the NZSF by 2050, but we will have a great big treasure chest of money at the end of the century. As that accumulates for the future, we aren't dealing with the social deficit issues of the present.

¹ www.cpag.org.nz

² <https://www.cpag.org.nz/assets/EMBARGOED%20MONDAY%202023%20SEPT%20-%20cpag%20MEDIA%20BRIEFING.pdf>

³ https://www.cpag.org.nz/assets/180425%20CPAG%20TWG%20Submission%20FINAL_2.pdf

The persisting inequality, social deficits in housing, and cruel and enduring poverty especially amongst children, strongly signal that there are better uses of the \$2 billion per annum of taxpayers' money than contributing to the NZSF.

Based on the background paper, CPAG also questions the failure to count NZSF assets in the calculations of net debt.

Should the age of eligibility for NZ Super be raised, lowered or stay the same?

CPAG agrees that the qualifying age for NZ Super should not go up. We also agree with the proposal to change it into a basic income that is extended over time to other groups in the community (such as those receiving a Supported Living Payment or a Sole Parent Support).

What do you think is the purpose of NZ Super?

The purpose of NZ Super is to provide an adequate basic income for all people to support healthy ageing and enable participation in society. We support the universal provision of this assistance, accompanied by progressive tax.