Retirement Saving Matters. Choice Matters Too.

An argument against compulsory Kiwisaver

Few people would disagree that New Zealanders should save for retirement. The real question is not whether saving is important, but whether the government should require every worker and employer to participate in a single savings scheme.

I support the principle of retirement saving. What I do not support is the growing assumption that KiwiSaver is the only legitimate way to prepare for retirement, and that those who choose differently should be compelled to participate. Retirement planning is important, but so are personal choice, flexibility, and the freedom to determine one's own financial future.

Saving for Retirement Is a Good Thing

Before explaining why I oppose compulsory KiwiSaver, it is important to acknowledge the scheme's strengths.

KiwiSaver has undoubtedly helped many New Zealanders accumulate savings they might not otherwise have built. It has encouraged long-term financial planning, helped first-home buyers enter the housing market, and created a stronger culture of saving.

Supporters of compulsory KiwiSaver also make a valid point when they argue that many people struggle to save consistently. Human nature tends to favour today's needs over tomorrow's. Automatic enrolment and regular workplace deductions overcome that tendency and make saving easier.

There is also a legitimate concern about the future affordability of New Zealand Superannuation. As the population ages, governments will face increasing pressure to fund retirement incomes. Encouraging greater private saving is one way of preparing for that challenge.

These are all reasonable arguments. However, none of them necessarily justify making KiwiSaver compulsory.

The Fundamental Issue Is Choice

The central problem with compulsory KiwiSaver is that it assumes there is one correct way to prepare for retirement.

In reality, people build financial security in many different ways. Some invest in shares directly. Others purchase rental properties. Some focus on paying off their mortgage as quickly as possible. Others invest in businesses, farms, or other productive assets.

A person who spends decades building a successful business may be creating more retirement security than someone contributing to KiwiSaver. A family that aggressively pays down debt may be making an equally sensible long-term financial decision.

Good retirement planning comes in many forms, and government policy should recognise that diversity rather than funnel everyone into a single preferred system.

Employers Should Not Be Responsible for Funding Retirement

If retirement saving is ultimately an individual responsibility, why should employers be required to contribute additional funds?

Employers already pay salaries that are negotiated and agreed upon. Once a fair wage has been paid, it is difficult to see why businesses should have a further obligation to fund an employee's retirement.

For large corporations this may be manageable. For small businesses operating with narrow margins, compulsory contributions represent a significant additional employment cost.

Supporters often argue that employer contributions are simply part of overall remuneration. If that is true, then employees should be free to receive the full value of that remuneration in the form they choose, rather than having part of it directed into a government-sanctioned savings scheme.

Consumers Ultimately Pay the Price

Costs imposed on businesses do not simply disappear.

When businesses face higher employment costs, they typically respond by increasing prices, slowing wage growth, reducing hiring, or accepting lower profitability. In many cases, part of the cost is eventually passed on to consumers.

This creates an uncomfortable irony. A policy intended to improve financial wellbeing may simultaneously contribute to a higher cost of living.

People may find themselves paying more for goods and services while also being compelled to direct part of their income into KiwiSaver. The economic burden does not vanish. It is simply redistributed.

Charities Face Unique Challenges

The impact of compulsory KiwiSaver is particularly significant for charities and non-profit organisations.

Unlike commercial businesses, charities cannot usually raise prices to offset rising costs. Their income often depends on donations, grants, philanthropic funding, and government contracts.

When employment costs increase, charities must either persuade funders to provide more money or reduce services elsewhere. In practice, additional funding is not always available.

As a result, compulsory retirement contributions can have a direct impact on the resources available for community programmes, social services, advocacy, research, and other charitable activities.

A policy that appears straightforward in the private sector can create genuine challenges for organisations that exist to serve the public good.

KiwiSaver Increases Dependence on Government Rules

Another concern is the level of government involvement.

KiwiSaver funds are generally locked away until retirement, with only limited exceptions. Access, contribution rates, tax settings, incentives, and withdrawal provisions are all subject to government policy.

This means participants must place considerable trust in future governments not to alter the rules in unexpected ways.

A retirement strategy built around a diversified mix of assets provides flexibility. A compulsory system inevitably increases reliance on whatever regulatory framework future politicians choose to establish.

Investment Risk Remains with Individuals

Compulsory KiwiSaver would also require participation in investment markets regardless of personal preference.

While long-term investment has historically generated strong returns, there are no guarantees. Markets rise and fall. Investment values fluctuate. The government cannot guarantee outcomes.

Yet individuals would still be required to participate.

Some people are comfortable with this arrangement. Others prefer property, debt reduction, business ownership, or different approaches to wealth creation. A voluntary KiwiSaver system accommodates both views. A compulsory one does not.

Who Benefits Most?

Any discussion about compulsory KiwiSaver should also consider who gains from its expansion.

Fund managers provide a valuable service and deserve to be paid for that service. However, there is no denying that compulsory participation would substantially increase the amount of money managed by the investment industry.

This does not make KiwiSaver wrong. But it does mean that policymakers should carefully distinguish between what is good for retirement outcomes and what is beneficial for financial institutions.

The interests of savers should remain the primary consideration.

The Tax Question

There is also an inconsistency worth examining.

If retirement saving is considered important enough to require participation, then it seems reasonable to ask why returns generated from those savings should be taxed.

The government effectively encourages, or potentially mandates, long-term saving while simultaneously taking a share of the earnings generated by those investments.

It is also worth noting that the New Zealand Superannuation Fund itself pays substantial tax to the Government. The Fund is taxed at the corporate rate and has become one of New Zealand's largest taxpayers. In the year to June 2026, it paid approximately $2.5 billion in tax, with Treasury forecasting that its annual tax payments will exceed Government contributions by more than $1 billion a year over the next five years. If retirement provision is a national priority, there is a legitimate debate about whether taxing retirement assets so heavily is consistent with that objective.

Whether one supports KiwiSaver or not, this tension deserves greater public discussion.

A Wider Debate About Superannuation

Ultimately, the push for compulsory KiwiSaver is often driven by concerns about the long-term sustainability of New Zealand Superannuation.

Many policymakers worry that future generations of taxpayers will struggle to support an ageing population. That concern is understandable.

However, the solution should not automatically be to transfer greater responsibility onto employers and compel citizens to join a particular savings scheme. A broader conversation is needed about the future of superannuation, government spending priorities, demographic change, and the management of retirement assets.

Those questions are larger than KiwiSaver alone.

Conclusion

The debate over compulsory KiwiSaver is not really about whether saving is good. It is. Nor is it about whether KiwiSaver has helped many New Zealanders. It clearly has.

The real issue is whether the government should assume that KiwiSaver is the only legitimate way to prepare for retirement.

People save in different ways. They have different goals, different values, different attitudes to risk, and different financial circumstances. A free society should respect that diversity.

Government should encourage retirement saving, provide financial education, and create opportunities for people to build long-term wealth. But encouragement is not the same as compulsion.

Retirement planning matters. Choice matters too. New Zealand can support both without forcing every citizen and employer into a single model of saving for the future.