KiwiSaver and COVID-19

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COVID-19 and its consequences mean that New Zealand is about to enter a world of economic pain for at least the next 6-12 months, with the tourism and hospitality industries taking the first hit. Those who have jobs face the threat of job-losses; the self-employed and contractors face a loss of business and income.

Recent announcements show that the government is taking this very seriously but policy announcements must necessarily be aimed generally. Specific cases need specific solutions.

In the meantime, mortgage payments still need to be met; food and utilities such as electricity, water and rates still need to be paid for. Well-intentioned bureaucracies can be slow to move in extraordinary circumstances.

Most New Zealanders have a KiwiSaver account so here's an idea:
The rules say that you can't take money out of your KiwiSaver account until you turn age 65 or emigrate. You can also access your savings if you are buying a first home or are suffering 'significant financial hardship'.

Applying for access because of financial hardship is time-consuming and requires evidence that you can't, or will soon not be able to, pay your bills. The different providers have different interpretations about this and the standards applied vary.

So, because these are exceptional times, why not give all KiwiSaver members the right to withdraw, say, $500 a month from 1 April 2020, no questions asked? No proof of financial hardship would be needed, for as long as the present crisis persists.

The withdrawal from KiwiSaver would not be taxable.

And the $500 a month shouldn't count as 'income' if the member applies for the unemployment benefit or other income-tested state payments (hardship, accommodation etc).

An end-date can eventually be applied to the monthly option but we don't need to fix that from the outset. The financial challenges will last many months and possibly years after COVID-19 is under control or beaten.

If truth be told, I think savers should be able take out all their money at any time, even before age 65, but that's a debate for another occasion.

Let's just recognise that all New Zealanders face troubling financial times and the government can easily make things easier.

The Australian government has just implemented a similar provision by allowing access to their compulsory savings scheme of up to $A20,000 in April 2020 and a further $A20,000 in 2021 (23 March 2020) but only in the case of unemployment, redundancy, reduced working hours or significant reduction in business. That withdrawal would be taxed.

I am suggesting something much simpler with no evidence of need or hardship required. The money does, after all, belong to the member.
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