

## News Release

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### Generation KiwiSaver: supercharging kids' financial futures



member Edie Crysell

Eleven-year-old KiwiSaver

A five-year old who joins a KiwiSaver scheme today could be on track to save more than \$100,000 by their mid-thirties, taking them that much closer to buying their first home, or setting themselves up for a comfortable life after 65.

"KiwiSaver is crucial to New Zealand, boosting our national savings and helping the economy by providing capital for investments" says ANZ Investments' Managing Director Fiona Mackenzie.

"As our population ages, KiwiSaver will play an increasingly important role in our future prosperity. Getting started early - allowing more time for savings to compound - can make a big difference.

"Given this we need to ask ourselves; are we doing enough to incentivise our young investors?"

ANZ Investments is the country's largest KiwiSaver provider and has almost fifty thousand members who are under the age of 18. Of those younger members 20 per cent contributed in the past two months.

Almost eight per cent of ANZ Investments' members aged under 18 made an employee contribution, while just over 12 per cent made a voluntary contribution.

"That's an encouraging number, especially when you consider that members aged under 18 don't receive a matching Government contribution - and if they are working - their employer isn't obligated to pay them an employer contribution."

It's the reason Fiona Mackenzie would like the government to consider introducing a matching contribution for those aged under 18.

"That would be massive for youngsters who start out with small balances. And it would create a virtuous circle - giving kids a chance to see some early gains, encouraging more parents to sign their kids up, and helping build some good saving and investing habits."

Ms Mackenzie says when looking at ways to enhance KiwiSaver, this generation provides us with a blueprint for a future where, as a nation, we are much better placed to fund and support life after 65.

"Our research shows us younger generations view KiwiSaver as their way to buy their first home. But they also view it as their main way of saving for a comfortable retirement, whereas older generations also place a lot of importance on NZ Super.

"We know KiwiSaver will make up an increasing part of our income once we turn 65. We should be asking ourselves; are we doing enough to incentivise our young investors and ensure we are working towards equitable outcomes for all New Zealanders?"

Eleven-year-old Edie Crysell has had a KiwiSaver account since she was a year old.

"KiwiSaver is something you can have when you are little, or when you are older, and you put money into it. And when you are older you open it."

Edie is in a Growth fund and regularly talks with her parents about KiwiSaver.

"I know my KiwiSaver account has companies like Apple, Disney and Netflix.

"What I will do with my KiwiSaver one day is buy a house and get things that I need."

Starting early, with more time for your savings to compound, makes a big difference.

From the Sorted calculators:

- If a 5-year-old contributed \$5 a week to an aggressive (or high growth) fund until they were 18, they could have saved almost \$5,000<sup>1</sup>, in today's dollars.
- If at 18 years they start work on the adult minimum wage<sup>2</sup> and remain in an aggressive fund, that sum could have grown to just over \$105,000 by the age of 34, the average age of ANZ Investments' members making a first home withdrawal<sup>3</sup>.

"It's really important to try to continue contributing after making a first-home withdrawal. If a 34-year-old first-homebuyer on the average wage<sup>4</sup> continues contributing 3% to a Growth fund they could have over \$230,000 more by age 65. If they can increase the contribution rate their savings will be even larger."

Ms Mackenzie says beyond the obvious benefit of a larger number of people ageing with a significant asset, contributing to a KiwiSaver account also teaches good savings and investment habits.

"I encourage everyone to talk with their kids and wider whānau about how money works and goals for the future. It is something we can be doing right now to get kids engaged and educated about KiwiSaver and the role it plays in their financial wellbeing."

As a mum to twins with very different attitudes to saving and investing she says it helps to if you can make the investing process seem more interesting.

"I have used it as a chance to talk about concepts like diversification, dividend payments and responsible investment. Some of it lands, some of it doesn't. But KiwiSaver is a good way to make some of these ideas seem more real."

Most of ANZ Investments' younger members are in a growth-oriented fund.

Around 83 per cent of members aged 13 to 17 are in our Growth fund. That rises to just over 85 per cent for members aged under 13.

"So, we'd encourage our younger members – and their parents – to check which fund they are invested in."

If you're seeking higher long-term returns, you need to be willing to accept more risk, for example by investing in a fund with more growth assets (e.g. High Growth or Growth Funds).

ANZ has an online Fund Chooser Tool to help empower KiwiSaver members to find a fund that is right for them.

The tool's recommendations are based on whether someone is saving towards their first home or retirement, how long until they plan to use their KiwiSaver savings and whether they want their fund choice to be automatically adjusted as they get closer to retirement.

ANZ also offers free financial advice to members who prefer human rather than digital support.

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***Important information:***

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<sup>1</sup> Using Sorted's savings calculator we used the aggressive projection assumptions to provide the 5.5% interest rate. All assumptions detailed:  
<https://sorted.org.nz/tools/savings-calculator/>

<sup>2</sup> <https://www.employment.govt.nz/pay-and-hours/pay-and-wages/minimum-wage/minimum-wage-rates-and-types>

<sup>3</sup> Using Sorted's KiwiSaver calculator for purchasing a first home. All assumptions detailed: <https://sorted.org.nz/tools/kiwisaver-calculator/>

<sup>4</sup> Statistics NZ average earnings for a 34 yr old - [NZ.Stat \(stats.govt.nz\)](https://stats.govt.nz/)