

Conference Session #5

DATA OF INTEREST

NZ super projected to grow from 42.8% (1988) to 51.1% (\$12.5B) in 2016.

historically
in 20th century
since 1987
7-8%
4-8%

Muldoon's Universal top tax rate 1982 66%
surcharge 1985 25%

Group Orange

QUOTES

"Living on credit is NOT the way to get ahead"
- Diana

"We have a Kiwi dream, and the sustainability of that should be at the root of our fiscal policy."

"Fairness is our most fundamental belief."

"Targeting is more easily done in theory than in practice"

For the first time in human history net transfers are going from the middle aged to the old
Andrew

Sustainability of the Kiwi dream should be at the root of our long term fiscal planning

"NZS is fundamental to the social contract NZers have with the govt"
- Diane

"All throughout history, transfers have always been from present to future. Now it looks like the other way."

IMAGERY

Mean taxing black hole



KEY MESSAGES

Pillars of Retirement income
- NZS
- Kiwisaver
- Private savings
- Home ownership
- Employment
- other public services

PAYGO vs. SAYGO

NZ Super has been treated exceptionally compared with other benefits.

The importance of housing affordability

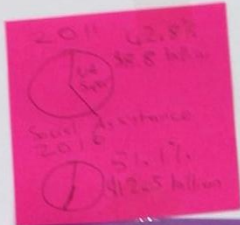
Juggling 3 objectives
- personal responsibility
- income support
- well being & retirement
- longevity risk pooling
- citizen dividend
- lifetime consumption smoothing
- intergenerational equity
- fiscal prudence & survival

- income means test
- assets means test
- income + assets means test
- proves for targeting (class neutrality)

People that support universal super:
- retirement commissioner
- political parties
- women

Yellow Group Session 5

DATA



Opp cost of a PAYGO fund is roughly 50% of tax payments

In 1982, the top tax rate was 66% (Muldoon)

QUOTES

"For the first time in history, it is unethicalness is - Andrew Coleman on current policies most fundamental belief"
- Diana Crossan

"We have a Kiwi Dream and the sustainability of that should be the focus of our long term fiscal policy"
- Diana Crossan

"It is well known that longevity has increased over the last 3 decades"
Dr. Susan St John

Universal Superfund is a national treasure
- Diana Crossan

"dictators of present over the future"

KEY MESSAGES

FAIRNESS

is our most fundamental belief

- Crossan

Rising intergenerational inequality

- one point in time vs. - whole cohort

...

...

...

...

Intergenerationally neutral.

financial literacy

encourage responsibility

⇒ voluntary saving

housing affordability is a key issue for retirement

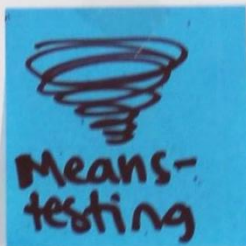
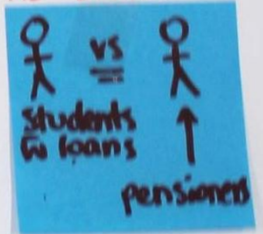
Issues with alternatives to universal super, but the options need to be discussed

IMAGERY

INTERGENERATIONAL DIVIDE



Diana Crossan's goals



Political black hole

@: from future rich to current poor?

PURPLE GROUP - SESSION 5

DATA

Percentage changes from 1950 → 2010
 Health: 412%
 GDP: 144%

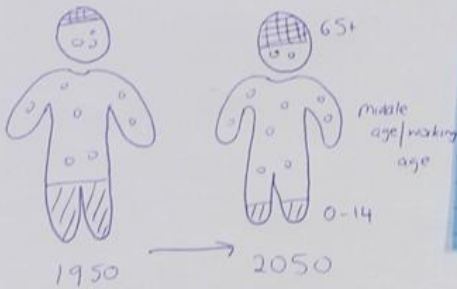
QUOTES

Focus on maintaining active (fit) + healthy middle age + older people to minimize long term care costs!
 - Nick Magr

"You say things about the future but you have not been there so you cannot know."
 - Peter Carey, Minister

"Unknown known!"
 - Colin James

IMAGES



Gen Y
 - Have not lived under welfare state
 - Burdened by student debt
 - Grew up in lack of jobs
 - Can't afford home
 - Live in a time of social dispaity, neoliberalism
 - Have to save for a retirement through Kiwisaver, and fund babies boomers through PIT

No single, simple, cost-saving solutions.
 → Long term health care

Long term care is different from general health care

Potential savings if patients are moved into long term care, rather than acute care in last years of life

There must be Public buy w for Major policy changes to work

Non-demographic reasons are also important



Current health system may need to evolve from patient passiveness

Long term outcomes sacrificed by short term politics
 - Cairns

Less respect for representatives
 → Parliament sufficient?



Parliament is necessary but is it sufficient?

Movement into a transition decade
 From what has been stable & relatively known to what is unknown

GREENÜ TAX + RETIREMENT INCOME

Data of Interest

Quotes

Imagery, doodles, other ways of communication

KEY Messages

NES is 42-87% of social assistance spending in 2011. Forecast to grow to 81-17% in 2016

Financial literacy is increasing

Housing costs: 5x Average Salary vs 2x Average salary in 1990s

Historically, average tax rates are increasing and the top tax rate is decreasing

Housing costs: 5x salary

"Targeting is more easily done in theory than in practice"
- P Rowley

"Previously our decisions gave to future generations. These days our decisions impose costs on future generations"
- Andrew Coleman

"Calculating the positive outweighs Estimating the negative?"
Source: St John

"Fairness is our most fundamental belief"

The dichotomy of the present over the future (or vice versa)

Critics say: 'Pensions for millionaires'

The housing issue is a retirement issue...

Decisions we make now are taking from the future more than they have done before
- Andrew Coleman

Still large support for Universal Superannuation

Means testing could take the pressure off raising the retirement age.

The welfare state makes promises about N2S etc. but the \$\$\$ is not there

Welfare state is a promise about future entitlements, the money's not actually there

Whenever you tax someone, you prevent them from investing that money thus earning more if they hadn't been taxed

Over 65's have a lower marginal tax rate than loan repayers and WPF