



Te Rūnanga o Ngāi Tahu

Submission to the Savings Working Group - October 2010

The Whai Rawa savings scheme was established by Te Rūnanga o Ngāi Tahu in 2006 as a means to grow the long term wealth of Ngāi Tahu whānau.

Whai Rawa is a PIE locked in for a small number of purposes: first home purchase; tertiary education; and retirement (from age 55) and is recognised as a Retirement Savings Scheme under the Income Tax Act. Perhaps the most significant difference from KiwiSaver is the ability to withdraw for tertiary education. Education has always been important to Ngāi Tahu and the ability to withdraw for tertiary education was seen as crucial to motivate people to enrol their children and encourage them to save.

Four years on Whai Rawa has over \$15m FUM and over 15,500 members including over 50% of registered tribal members aged under 16. The recession has clearly had an impact on the level of savings members and their whānau have made but we are confident Whai Rawa will continue to go from strength to strength with more members saving more money for future goals.

Two key adjunct steps identified as necessary to achieving this growth were the development of a savings culture and improving the financial literacy of Ngāi Tahu whānau. The strong focus on growing a savings culture among the young reflects the Ngāi Tahu whakataukī *Mō Tātou mō a ka uri ake nei* (*For us and our children after us*). Development of a savings culture is not something that can be achieved overnight but this focus on the future and future generations will better ensure Ngāi Tahu do develop a culture of saving.

Financial education, the other key component identified as important to creation of future wealth when Whai Rawa was established, is also being addressed. Ngāi Tahu recently undertook a financial knowledge survey replicating last year's national survey which showed Ngāi Tahu adults were, in most areas, on par with the wider NZ population in their levels of financial knowledge. A number of financial education initiatives are now being trialled to build on the results of the survey and to grow the financial knowledge of Ngāi Tahu.

We wish to take the opportunity provided by the establishment of the Savings Working Group to raise awareness of Whai Rawa, its unique strengths, its potential for replication amongst other iwi and the risks to such schemes should NZ move towards a narrow prescriptive approach to growing savings.

We submit that any policy regime designed to promote and encourage savings needs to allow for a range of savings vehicles that can meet different needs in different ways rather than attempting to impose a one size fits all compulsory savings solution via KiwiSaver; such compulsion may put at risk the viability of schemes such as Whai Rawa that are already encouraging people to save for important life goals. We know that while some adult Whai Rawa members are already in KiwiSaver, many are not having chosen instead to save with Whai Rawa because it is an iwi owned scheme. Requiring these people to join KiwiSaver would impact on the level of funds being saved into Whai Rawa and potentially on the viability of the scheme putting at risk the benefits the scheme provides in developing a whānau based intergenerational savings culture.

We submit that wherever possible, the benefits provided to KiwiSaver schemes should be extended to other long term savings schemes such as Whai Rawa. This would include benefits such as Housing NZ first home purchase subsidy entitlements and possibly government tax credits.

A recent officials paper from Treasury and Inland Revenue (*Social Assistance: Defining Family Income*) has raised the suggestion that, for the purposes of defining family income, income from locked in PIEs should be excluded from the definition of family income and that the definition of locked in PIEs should be restricted to KiwiSaver schemes. We have submitted a response that a more broadbased definition of locked in PIEs should be adopted that recognises schemes such as Whai Rawa. We submit that retirement savings schemes, once approved as such by the Commissioner, should continue to be accepted as equivalent to a superannuation scheme or KiwiSaver scheme for the purposes of defining family income and that the definition of a locked PIE should be broadened accordingly.

We submit that the current non-alignment between new Retirement Scheme Contribution Tax (RSCT) rates and the Māori Authority Tax Credit (MATC) rates is likely to reduce the level of long term savings by Māori and increase administrative costs associated with members filing returns to obtain their MATCs.

The RSCT rules are intended to be a viable alternative regime to the RWT rules for Maori Authorities such as Te Rūnanga o Ngāi Tahu, with the object of reducing compliance and administrative costs (for both recipients and Inland Revenue) associated with tax return filing as well as contributing to the goals of building savings rates among New Zealanders. The non-alignment between the MATC and RSCT rates results from recent cuts to personal tax rates and corresponding RSCT rates. With, in Whai Rawa's case, a large number of members on the lowest RSCT rate of 10.5% (from 1 October 2010) and MATCs being able to be passed on at 19.5%, this non-alignment could potentially result in a large number of Whai Rawa members being entitled to claim back small numbers of MATCs (while a Māori Authority can choose to pass on MATCs at a rate lower than 19.5%, in the long term this could potentially result in a significant underutilisation of credits relative to income).

The negative effects of this non-alignment are:

- These MATCs will have to be claimed back by the member from Inland Revenue creating administrative complexity and uncertainty and undermining the intention that RSCT operate as a final tax.
- Those that do claim the MATCs by filing a return or seeking a personal tax summary risk negative consequences in terms of other entitlements such as Family Tax Credits;
- MATCs that are claimed by members will not necessarily find their way back into the Whai Rawa locked PIE ; and
- Many MATCs will be left unclaimed in the tax system.

Andrew Scott, Te Rūnanga o Ngāi Tahu