

Gary Brown: Submission to the Savings Working Group



I am a citizen and as such reflect that point of view.

In my view, savings are low partly because incomes are low. While pay rates in Australia are about 35% higher than here, the cost of living is equivalent – it therefore seems logical that saving, which is a discretionary activity, is at a low or non-existent level.

Secondly, compulsory employer funded superannuation in Australia has created a large fund of savings in that country which has had a considerable impact upon their economic growth.

Thirdly, the return (in most cases interest) received on savings is taxed. This is double taxation.

Fourthly, saving through investment such as in the stock market is inherently risky, as evidenced by recent events. The investor in most cases has no security. The ratings handed down by rating agencies have been proven to be of little worth to investors. Fundamentally, ordinary citizens are not investors – it is for the banking and finance industry to finance industry with its associated higher risk and reward.

Fifthly, allowing people from overseas to buy up large tracts of (relatively cheap) property in New Zealand only serves to increase property prices, resulting in property consuming ever more resources proportionately and therefore allowing less commitment to other forms of saving.

Finally, legislate to discourage indebtedness. The last quarter century in New Zealand has seen successive governments increase available credit by removing restrictions on home mortgages, hire purchase and the introduction of the student loan scheme.

Therefore measures such as these would increase the saving capability of the average New Zealand citizen –

1. Increase pay rates to a level equivalent to those in Australia – this would need to be initiated by government through public service pay rates.
2. Legislate for employer funded superannuation contributions to government guaranteed superannuation schemes.
3. Eliminate tax on interest attributed to savings.
4. Adopt a property ownership system that prevents speculative property investment by overseas investors.
5. Legislate to increase significantly the deposit required to purchase consumer items on credit such as a one-third deposit on homes, motor vehicles and other high cost items.