The New Zealand Herald

Tamsyn Parker
Money Editor for NZ Herald

KiwiSavers told to trust the advice they're getting

Kiwis are being too passive with their KiwiSaver. Photo/Steven McNicholl.

New Zealanders need to put more trust in getting financial advice when it comes to their KiwiSaver money, according to finance specialist KPMG.

The accountancy firm has today released its first in-depth look at New Zealand's funds management industry with a focus on KiwiSaver.

It includes a report from research firm Morningstar that points to Kiwis having an unnecessarily high concentration of KiwiSaver investment within conservative funds - mostly due to savers who default into a scheme rather than choosing their level of risk.

"We believe this is a major flaw," said Morningstar analyst Elliot Smith in the report.

"In Australia, most default funds are in the growth or aggressive [...] categories, which is far better aligned with the long time horizon of investing for retirement."

John Kensington, head of financial services at KPMG, said Kiwis needed to take a closer look at their KiwiSaver fund and get financial advice.

"As a rule of thumb, if you're aged between 25-40, you should be more disposed to a growth fund; as you have plenty of time to earn at higher level and recover should the market fall.

"If you are a little older, you might lean toward a balanced or growth fund.

"People who should be in a conservative fund are those who are nearing retirement age and wanting certainty around their capital - but even then, they might want to split their risk."

Kensington said KiwiSaver was a complex investment product and the average New Zealander was not well-educated when it came to financial products.

"So we've got to have trust to go get advice."

"People need to realise that investing is very important. It can have a huge impact on their life."

John Body, managing director at ANZ Wealth, New Zealand's largest KiwiSaver provider said getting specific advice on KiwiSaver had been complicated by the introduction of the Financial Advisers Act - which provides that advice can only be given on an individual's entire financial position.

That means people wanting just KiwiSaver advice may find it a challenge as a full financial review can appear expensive relative to a small KiwiSaver balance.

Body said a joint survey by ANZ and the Commission for Financial Capability in 2013 found that only 15 per cent of people had consulted a financial adviser in the past year.

"If we look at the two million-plus members of KiwiSaver, 1.95 million of them haven't used an adviser."

"Research tells us people who use advisers tend to have confidence in them. Yet people won't use an adviser if they don't trust them. Therefore they don't have an opportunity to build a higher opinion of them."

Body said it was a catch 22 situation but he hoped the current review of the law would provide an opportunity to remedy the situation.

See the latest KPMG KiwiSaver research here:

To print the document, click the "Original Document" link to open the original PDF. At this time it is not possible to print the document with annotations.

- NZ Herald