

Kiwi Saver, Annuities and Superannuation Protection Association New Zealand Incorporated



The Consumer Voice Protecting Your Retirement Income

www.kaspanz.wordpress.com

NEWS SHEET NO 3, 2015

This is News sheet No 3 of Kaspanz.

The intention is to produce 2 members' news-sheets per annum, chatty, simple and informative. The Kaspanz website <http://kaspanz.wordpress.com/> is our primary information tool, but a news sheet always adds value. New sheets are never easy to write, too much detail, not enough detail, material not always interesting, challenging or indeed accurate, one can go on. Comment from readers is welcomed. Snippets of information and comment will be the approach, adopted. Information may be placed onto the website.

BANK DEPOSITS- 110 COUNTRIES SAFEGUARD THEIR BANK DEPOSITS. NOT NEW ZEALAND

New Zealand is one of the few countries that neither insures nor guarantees bank deposits, instead adopting the moral hazard principle, "make wise choices". History tells us, events like the 2008 crisis, or for that matter the recent NZ Super Fund investment loss, arise very quickly, and as Rod Oram said in an excellent article in October 2014 "it's absurd to believe that any of us, even the most sophisticated of corporate customers, know about the health of a bank ..."

Deposit protection should be in place in this country, and yet the governments "Open Bank resolution" puts more emphasis on individual depositors, and does nothing to address the fear factor and associated run on funds, which occurs when financial system failure begins. By highlighting this issue Rod deserves congratulations, the issue needs addressing urgently.

KIWI SAVER-Home Finance

Are too many people are using their Kiwi saver for their home, and diluting their future savings? Kaspanz looks forward to discussion on this.

ECONOMISTS

Three econometricians went out hunting, and came across a large deer. The first econometrician fired, but missed, by a meter to the left. The second econometrician fired, but also missed, by a meter to the right. The third econometrician didn't fire, but shouted in triumph, "We got it! We got it!"

DEFLATION

Are we entering a deflation economy? Low interest rates on savings and very low inflation is becoming a long term trend, and the spectre of deflation has significant risk. Watch out for articles on this topic, deflation is a trend we may be entering into and an experience to avoid!

FININCIAL SERVICES FAIR TAX FOR SAVERS: WHATS HAPPENED

In this low interest environment, and poor returns on savings, one would have thought the financial services tax cut call would have obtained traction. It appears to have vanished off the map. Their petition got low numbers and Government ignores their call.

SUPERANNUATION AND VETERAN'S PENSION PAYMENTS

From April will increase by 2.07 per cent, in line with the Government's commitment to keep the married couple rate at least 66 per cent of the average wage

BERNARD HICKEY

Bernard continues to write articles moaning about generation inequality, always featuring education and housing costs disparity. He is always very selective with his examples.

There is loads of research on this topic; it's the type of discussion which each quoted example can be matched by another, and I require convincing there is any productivity in such musings.

Bernard needs to remember a 'greying' society is a prosperous one. And the over-65s will become social and economic assets, in way our policymakers struggle to imagine".

With the boom trend of seniors staying in the workforce, many of the assumptions about those of senior years becoming a burden are based on outdated and narrow ways of thinking. Here is a piece of German research

An international team of researchers looked at Germany as a case study. Germany's fertility rate of 1.4 and median age of 44.3 years make it the greyest nation after Japan. Nevertheless, the land of sausage and sauerkraut may not do too badly in its golden years, the researchers found. They identified five areas in which countries such as Germany could age like fine wine:

- **Better health:** As people live longer, they stay healthier longer. Projections suggest the average German man in 2050 will spend 80 per cent of his lifetime in good health, compared to 63 per cent today.
- **Increased productivity:** Aging populations tend to have higher education levels, which could help offset the decline in labour force.
- **Sharing the wealth:** As life expectancy increases, people will inherit at older ages and be better equipped fund their own retirement, or help adult children financially. And as families have fewer children, inheritance will be split into larger chunks.
- **Good for the environment:** Changes in age structure and a shrinking population size are associated with reduced consumption of energy-intensive goods and lower carbon dioxide emissions.
- **Quality of life:** The ratio of leisure, work and housework is expected to change in the future, with leisure time increasing on average.

The picture may sound rosy, but the new study isn't the first to giving aging populations an A-plus. Back in 2003, the Government of Canada [released a document](#) entitled Population Aging: From Problem to Opportunity. The report outlined how policies supporting greater life-course flexibility might address the labour shortages associated with retiring baby boomers, and at the same time, provide people with more choices as to how they approach activities such as work, learning, caregiving and leisure over their lifetimes. As well, it cited Health Canada research showing that longevity is not a key driver of health-care costs.

In the meantime, Canada is dealing with its aging population surprisingly well, according to a 2013 report from the Globe Age Watch Index. In an international ranking of quality of life of elderly people, Canada placed fifth on the list, behind Sweden, Norway, Germany and the Netherlands. Canada's best performance was on health status (in income security, however, it placed 26th due an old-age poverty rate of 4.4 per cent).

Although time will tell, aging populations may not have to mean economic disaster. As the Globe Age Watch Index's 2013 report said, "Ageing gives us cause for celebration: longer lives throughout the world are a triumph of development."

Came across this table which might add fuel to the fire, but let's take the risk

Generational Differences: Baby Boomer, Generation X, and Generation Y Comparison

Let's take a look at a comparison between the Baby Boomers (1946-1964), Generation X (1965-1976/1981), and Generation Y (1977/1982-1995/2001).

Please keep in mind these are generalized observations taken from a different article (see below):

Level of trust toward authority

- Boomers are confident of self, not authority.
- Gen Xers have a low level of trust toward authority.
- Millennials have a high level of trust toward authority. Yet they are less trustworthy of individual people. Perhaps it's from being born into an age of terrorism or maybe it's their overprotective parents or the danger-obsessed media.

What do they view as the ultimate reward?

- Boomers want a prestigious title and the corner office.
- Gen Xers want the freedom not to have to do something.
- Millennials prefer meaningful work.

How were their parents with them?

- Boomers had parents who were controlling.
- Gen Xers parents were distant.
- Millennials? Their parents were intruding. Or, as my Millennial-age intern tells me, they have "helicopter parents"—they're always hovering.

What are their views toward having children?

- Boomers are controlled, their children were planned.
- Gen Xer's are doubtful about the possibility of becoming parents.
- Millennials are definite about parenthood. In fact, they view marriage and parenthood as more important than careers and success.

And overall family life?

- Boomers were indulged as children.
- Gen Xers were alienated as children.
- Millennials were protected as children.

Views toward education?

- Boomers want freedom of expression.
- Gen Xers are pragmatic.
- Millennials need the structure of accountability.

Political orientation

- Thankfully, boomers want to attack oppression. Without those views we might not have had civil rights or protested Vietnam.
- Gen Xers are apathetic and more worried about the individual.
- And the Millennials, the face bookers and Tweeters? It should be no surprise that they crave community.

Last but not least, the views on the big question...

- Boomers want to know, "What does it mean?"
- Gen Xers need to know, "Does it work?"
- Millennials are curious to know, "How do we build it?"

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The 'clash of generations', depicted above by Anton Emdin, was the bestselling issue of *The Spectator* last year.

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