NZFMA – Expanding the Investor Base

• Retirement Savings Scheme – dominated by KiwiSaver
  • Introduced 2007
  • 2.7 million members (NZ total pop 4.6m)
  • Non-compulsory retirement savings
  • Highest take-up rate in the world - 75% of 18 to 64 year olds
  • KiwiSaver member receives 50c per $1 from government up to $521 pa
  • Auto enrollment for new employees
  • Voluntary contributions of 3, 4 or 8% of gross salary
  • Contribution matched by employer
  • After three years individuals can withdraw for first home deposit
  • No adjustment penalty to New Zealand Superannuation payments
NZFMA – Expanding the Investor Base

• Member profiles
  • 75% of population between 18 and 64 are KiwiSaver members
  • 50% of members are aged between 18 and 44 (20 yr work life left)
  • 50% of members are on incomes at or below avg ($20,000 - $60,000)
  • Most countries <50% of working adults in a formal pension scheme
  • % members who opt-out 9%

• Returns
  • To date every $1 contributed by member has returned $5
  • Return compounding at 7.9% pa
  • 2.9% ahead of government bond yields
NZFMA – Expanding the Investor Base

• Why the high take up?
  • Soft compulsion
  • Crown kick start & contribution
  • Ease of administration for employers – simple & cheap
  • Employer incentives
  • Housing deposit option

• Driving future investor base expansion
  • Drive investment away from residential property & land
  • Increasing investor confidence through FMA oversight of KiwiSaver
  • KiwiSaver Act – FMA may request remedial action or removal from approved funds
  • Fee reviews - Average fees per member is increasing not decreasing
  • Investor education = Financial Advisors Act obligations re product disclosure
  • FMA KiwiSaver Tracker – legal requirement - quarterly fund reporting
NZFMA – Structure of household balance sheets $m

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity and investment funds</td>
<td>396,546</td>
<td>33%</td>
</tr>
<tr>
<td>NZ listed shares</td>
<td>28,438</td>
<td></td>
</tr>
<tr>
<td>NZ unlisted shares</td>
<td>142,398</td>
<td></td>
</tr>
<tr>
<td>Equity in unincorporated NZ businesses</td>
<td>170,335</td>
<td></td>
</tr>
<tr>
<td>Overseas listed shares</td>
<td>6,736</td>
<td></td>
</tr>
<tr>
<td>Cash management trusts</td>
<td>8,220</td>
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</tr>
<tr>
<td>Other investment fund shares</td>
<td>37,419</td>
<td></td>
</tr>
<tr>
<td>NZ registered bank and other deposits</td>
<td>137,017</td>
<td>12%</td>
</tr>
<tr>
<td>Other financial assets (insurance reserves etc)</td>
<td>84,756</td>
<td>7%</td>
</tr>
<tr>
<td>Housing and land values</td>
<td>580,821</td>
<td>49%</td>
</tr>
<tr>
<td>% total assets held offshore</td>
<td></td>
<td>5.1%*</td>
</tr>
<tr>
<td>% financial assets held offshore</td>
<td></td>
<td>9.9%</td>
</tr>
</tbody>
</table>