

Research & Evaluation Unit*Te Wāhanga Arotakenga me te Rangahau***Insight and Intelligence Advice***Māramatanga me ngā Tohutohu Pūmahara*

KiwiSaver Members' Awareness and Understanding of the Member Tax Credit

Introduction

In 2016, Inland Revenue's Research and Evaluation Unit conducted analysis of KiwiSaver Member Tax Credits (MTC) eligibility.

MTC is an annual contribution made by the Government towards member's KiwiSaver account as long as the person is a contributing member between the ages of 18 and 65. The Government pays 50 cents for every dollar of member contribution annually up to a maximum payment of \$521.43. This means that a member must contribute \$1,042.86 annually to qualify for the maximum payment of \$521.43.

The Research and Evaluation Unit found that over 1.1 million members received a partial tax credit payment or no payment. The Commission for Financial Capability estimates that there is at least \$300m of MTC not being claimed by KiwiSaver members. The purpose of this survey is to learn why KiwiSaver members are missing out on the MTC, and what they can do to change that. This snapshot presents the key findings from an online survey of 1,800 KiwiSaver members.

Key findings**"Member Tax Credit" is unfamiliar to members**

- Almost half of KiwiSaver members surveyed have not heard of the term "Member Tax Credits". After providing a definition, 25% of these members said they did not know or knew only a little about how MTC works.

Increased knowledge and awareness of MTC would encourage members to contribute more towards KiwiSaver

- 62% of members who were unsure whether they contributed at least \$1,042.86 last year said that if they had known more about MTC criteria, they would be more likely to contribute enough money.

- The majority of people who missed out on the full MTC payment indicated they would rely on Scheme Providers (higher preference) or Inland Revenue for more information.

Members have inaccurate knowledge of their MTC entitlement

- 51% of members believed that their regular contributions would give them the full MTC payment and that they would not need to do anything else. Of these, 19% did not receive the full MTC payment.

Analysis

What prevents members from receiving the full MTC

Lack of knowledge

- The lack of knowledge about MTC criteria was a reason for 33% of members not receiving the full MTC. 62% of these members said if they had known more about MTC it is likely that they would pay more towards KiwiSaver to qualify for the full MTC payment.
- Lack of knowledge was apparent across all income levels.

Affordability

- 41% of members who missed out on the full MTC said they could not contribute \$1,042.86 because they could not afford it.
- 26% of those who have received their full MTC but believed they had not, also claimed affordability as a reason.
- This contrast shows that affordability is a credible reason for a significant group of the target population. More salary/wage earners (26%) than non-salary/wage earners (8%) felt that affordability prevented them from contributing more.
- Despite many members thinking that contributing \$1,042.86 to KiwiSaver is unaffordable, 6% of members with low household income (<\$34,000) have received the full MTC (Fig.1). This suggests that these members took extra efforts to contribute, so that they receive the full MTC.

Forgetting to contribute

- 39% of members said they simply forgot to set up payments because they are not on a salary/wage income.

What promotes people to receive the full MTC payment

Aside from keeping up their regular contribution, members said the following three actions helped them to meet the \$1,042.86 payment threshold for the MTC:

- Choosing a contribution rate that would enable them to contribute \$1,042.86 annually
- Monitoring their contributions
- Paying a lump-sum amount of at least \$1,042.86 at the end of each financial year

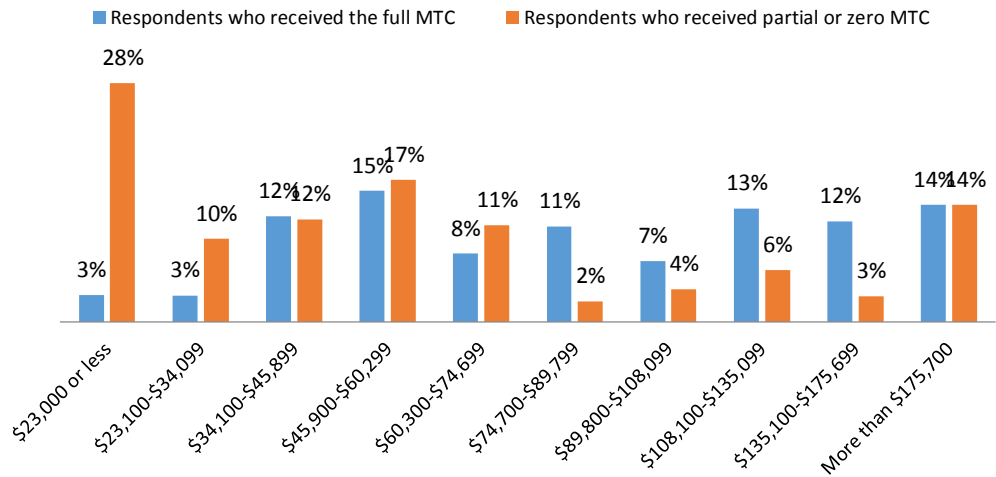
However, the survey highlights that over a third of members stated that they could not recall if they had received a full MTC in the past year. Using administrative data to identify MTC payment, we found that of those who received the full amount, 17% were unaware they had; of those who did not receive the full payment, 21% were unaware they had missed out.

Other relevant findings

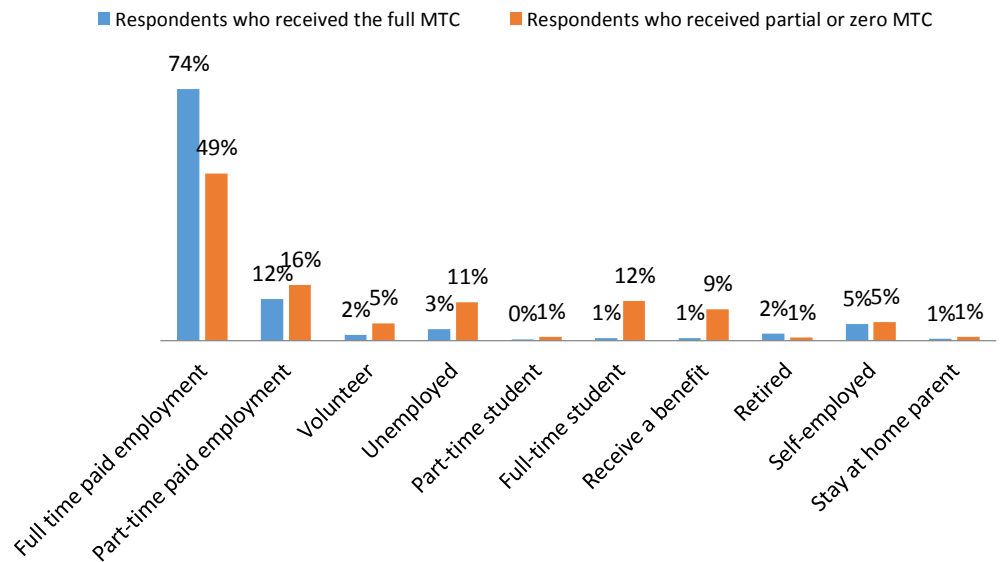
When members were asked how often they monitor their KiwiSaver balance, the majority said they never, or rarely, check their KiwiSaver. This result is consistent with the public understanding that KiwiSaver is a tool for long term retirement saving and should not require close monitoring. This could explain why a significant proportion of members were unaware of their annual contribution and whether it was enough to entitle them to the full MTC payment.

Appendix - demographics

Household income distribution (Fig.1)



Employment status distribution (Fig.2)



Regional distribution of respondents (Fig.3)

