The Distributional Impact of Kiwisaver Incentives

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Abstract
New Zealand’s approach to retirement saving profoundly changed with the recent introduction of KiwiSaver and its associated tax incentives. Previous retirement incomes policy reduced lifetime inequality but there is a risk that KiwiSaver and its tax incentives will increase future inequality and lead to diverging living standards for the elderly. In this paper we evaluate the likely distributional effects of these tax incentives. Using data from a nationwide survey carried out by the authors, we estimate the value of the equivalent income transfer provided to individuals by the tax incentives for KiwiSaver participation. Concentration and Lorenz curves and inequality decompositions are used to compare the distributive impact of these tax incentives with those for New Zealand Superannuation. Estimates are reported for both initial and lifetime impacts, with the greatest effect on inequality apparent in the lifetime impacts.

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