VICTORIA UNIVERSITY OF WELLINGTON
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Sacrificing tomorrow to survive today:

Looking at the options to assist KiwiSaver members to keep their savings intact in times of hardship



Faculty of Law
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INTRODUCTION
BACKGROUND TO THE PROJECT AND THE PROBLEM

Financial hardship withdrawals from KiwiSaver schemes have risen sharply in recent years. The Retirement Commission stated in its report Review of Retirement Income Policies 2025, that "In the year to June 2025, just over 45,000 people accessed their KiwiSaver funds early due to financial hardship, compared to around 18,000 five years ago".[1] The 45,000 people figure represented about 1.4% of KiwiSaver members and the withdrawn amount in the 2025 year was about 0.4% of total KiwiSaver savings.[2] In dollar terms, financial hardship withdrawals were $264.3 million in the year to 31 March 2024.[3] This figure increased to $443.6 million in the year to 31 March 2025.[4] This is a 50.8% increase from the 2024 year and up by $179.3 million.[5]

Financial mentors have expressed concern at the rate at which their clients are putting in hardship withdrawal applications.[6] FinCap's 2025 Voices report noted that in 2024, "one in eight closed client cases sought to withdraw KiwiSaver funds early".[7] FinCap's 2026 Voices report confirms that this was also the situation in 2025, stating : "As was the case in 2024, KiwiSaver hardship applications made up 13% of advocacy actions taken as a percentage of closed client cases, indicating that one-in-eight clients sought a withdrawal of their KiwiSaver."[8] Consumer NZ has similarly commented on the increase in KiwiSaver hardship withdrawals.[9] A KiwiSaver provider spoken to as part of this research project told us:

"So the current number of withdrawals are roughly three times what we had pre-COVID. This is really high numbers of people. This is just a massive expansion of poverty."

Although hardship withdrawals may provide necessary short-term relief, they reduce the savings available to members in retirement and may increase reliance on NZ Super in later life. The sharp increase in withdrawals therefore raises questions about whether more can be done to support members experiencing financial hardship while preserving retirement savings where possible.

FinCap asked Victoria University to research possible ways of assisting KiwiSaver members who might otherwise seek a financial hardship withdrawal, to keep their savings in KiwiSaver. This is the report of that research. We identified possible options that might help members keep their money in KiwiSaver. We sought the views of financial mentors and other stakeholders on these options. We also investigated the rules around financial hardship withdrawals from state-promoted superannuation schemes in a range of other jurisdictions.

Overall, we found that while the numbers of people taking money out from KiwiSaver on the grounds of financial hardship have increased, this was not perceived as an inherent fault in the KiwiSaver system. Rather, it is seen by those we spoke to as a symptom of the financial stresses that New Zealanders have been and continue to be under.

We suggest there are some avenues that could be explored to help New Zealanders keep money in their KiwiSaver scheme. These do not involve making it harder to take money out; instead they focus on helping KiwiSaver members explore other options before accessing their KiwiSaver savings. We also recommend that further investigation be done into the possibility of altering the KiwiSaver scheme design to allow sidecar savings. For a full list of our findings and recommendations see Section 1.

1 Te Ara Ahunga Ora Retirement Commission *Review of Retirement Income Policies 2025* (14 November 2025) at 103.
2 At 103.
3 Financial Markets Authority (New Zealand) *KiwiSaver Annual Report 2024* (24 September 2024) at 6.
4 Financial Markets Authority (New Zealand), *KiwiSaver Annual Report 2025* (10 September 2025) at 8.
5 At 8.
6 Joel Kulasingham "KiwiSaver financial hardship withdrawals spike in March amid fuel crisis, cost of living" *The New Zealand Herald* (online ed, Auckland, 18 April 2026).
7 FinCap "2025 update on income, expenses and debt trends and why reasonable debt collection conduct is critical now" (annual Voices report, June 2025), at 51.
8 FinCap "2026 update on income, expenses and debt trends, as well as the need for sustainable funding for financial mentoring and licensing requirements for debt collection" (annual Voices report, July 2026) at 25.
9 Consumer NZ "KiwiSaver satisfaction is up, but so are hardship withdrawals" (media release, 26 May 2026).

We note the recently announced National Party KiwiSaver policy to, if elected in the November 2026 election, make KiwiSaver compulsory for all workers.[10] If this occurs, then the need to address the issues around hardship withdrawals will become even more pressing.

The report is set out as follows:

Section 1 - Key findings and recommendations

Section 2 - KiwiSaver hardship withdrawals – regulatory framework and industry guidance

Section 3 - Data relating to significant financial hardship withdrawals

Section 4 - Options to help address the high rates of withdrawals on the grounds of financial hardship

Section 5 - What stakeholders told us about the issues

Section 6 - A comparative look at approaches to early withdrawals from superannuation on the grounds of financial hardship

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This project was approved by the Victoria University Human Ethics Committee – Approval number 2026/HE040106. The researchers were: Victoria Stace (lead researcher), Sarah Shackleton and Darcy Houston.[11]

10 Lillian Hanly "National to make KiwiSaver compulsory, if elected" Radio New Zealand (online ed, Wellington, 21 June 2026).
Note - Labour's policy announced in September 2026 includes compulsory employer contributions (but not employee contributions).

11 We also gratefully acknowledge the assistance of George Pinder with proofreading.

SECTION 1
KEY FINDINGS AND RECOMMENDATIONS

KEY FINDING ONE

Levels of hardship withdrawals reflect financial distress rather than shortcomings in KiwiSaver and there was a lack of support for making it harder for members to access KiwiSaver savings on the grounds of financial hardship.

The sharp rise in KiwiSaver hardship withdrawals appears to reflect increasing financial pressure on households rather than a failure of the KiwiSaver framework itself. Stakeholders that we spoke to viewed the increase in hardship withdrawals as a symptom of broader cost-of-living, employment, housing and debt pressures. The financial mentors and KiwiSaver providers that we spoke to, and the Retirement Commission, generally supported retaining access to KiwiSaver through hardship withdrawals, and viewed hardship withdrawals as an important safety valve for members experiencing genuine financial hardship. The evidence gathered for this report also indicates there is only limited stakeholder support for making hardship withdrawals more difficult to access.

KEY FINDING TWO

Assisting people with consideration of all their options before a hardship application is put in, or as part of the application process, is key, as there may be other options that should be explored to assist with a person's financial situation before access to KiwiSaver funds is resorted to.

Stakeholders agreed that assisting people with consideration of all their options before a hardship application is put in is key, as there may be other options that could be explored to assist with a person's financial situation before access to KiwiSaver funds is sought. There was general agreement that having a financial mentor involved in the application process helped reduce the flow of funds out of KiwiSaver on the grounds of hardship, in particular because mentors can assist their clients to explore all available options.

There are different options for how financial mentoring expertise could be incorporated into the hardship withdrawal process. It could be for example that an applicant for hardship had to confirm as part of their application, that they had consulted with a financial mentor. Another option would be that all financial hardship applications are processed by the providers through a "central clearing house" that has financial mentoring expertise. The idea of all financial hardship applications being channelled through a central clearing house funded by KiwiSaver providers and which was staffed with people skilled in debt management, was favoured by some stakeholders.

Consideration of these options raises further issues including:

Quality assurance. If financial mentors are to be incorporated as a part of the hardship withdrawal process, then a certain level of expertise will be expected. How would this quality assurance be provided?

Resourcing. Who would pay for a central clearing house or for the additional work imposed on mentors if financial mentoring expertise is required as a matter of course for hardship applications (or required unless the circumstances indicate it is clearly not appropriate)?

Process. There is a need to minimise double handling, requiring clarity around the point at which financial mentoring assistance is provided if needed. Who would assess that need, and how would hardship applications be handled?

KEY FINDING THREE

There is a need for more data before changes are considered

There is a need for more data to be obtained before any decisions around changes to the hardship withdrawal rules or processes are considered. More data would be helpful, in order to assess in particular:

- What are the amounts that are being withdrawn under each of the different limbs of the definition of "significant financial hardship" in the KiwiSaver Scheme Rules; and
- Who it is that is accessing these hardship withdrawals, how often they are going back for hardship withdrawals, and what they are using the withdrawals for.

KEY FINDING FOUR

There are issues with provider processes that should be addressed

Currently there appear to be some issues with the processing of hardship applications that increase the workload for financial mentors and others. A particular issue that was raised by financial mentors as something that could be improved was consistency between application forms. There also appeared to be inconsistencies as between providers in terms of how withdrawal applications were dealt with.

KEY FINDING FIVE

There were concerns around the current practice of paying withdrawn amounts directly to the member without any follow up or conditions around the use of the money

We heard from some stakeholders that the number of hardship applications could be reduced if there was a way to make sure the money paid out went to pay off the arrears, debts and other commitments that had been identified by the applicant as giving rise to the hardship.

KEY FINDING SIX

There was general support overall for the concept of sidecar savings with some caution advised.

There was general support overall for the concept of introducing sidecar savings into the KiwiSaver scheme (where a member can direct some contributions to a separate account that is accessible in case of hardship or emergency), with some caution advised.

In this report, we provide details of a trial in the UK of sidecar savings arrangements.

Given that KiwiSaver already has a regime for hardship withdrawals (which is a point of distinction from the UK Workplace Pension scheme) we suggest that it may be an option to take the key elements of sidecar savings and incorporate them into the existing system. Those key elements include the accessibility of the sidecar savings and that the accessible amount is capped. This means both: that once the cap is reached and the member has that accessible balance, future contributions go into the locked in part of the account; and also that once the accessible balance is withdrawn, it must be rebuilt before becoming again available for withdrawal. Details such as the threshold for withdrawal (what, if any, level of need must be demonstrated), and the appropriate cap, would need to be worked out. Other issues that arise include consideration of whether a sidecar savings option would exist alongside the existing hardship withdrawal regime or would replace it.

KEY FINDING SEVEN

The rules around hardship withdrawals in other jurisdictions vary so there is no "best practice" international model to draw on

Our review of hardship withdrawal rules in the other jurisdictions (UK, Australia, Canada, US, Singapore, Turkey, Uganda, South Africa) did not give us a "best practice" model to draw on. Hardship withdrawal rules ranged from no withdrawals based on hardship (eg UK) to limited withdrawals based on hardship, often with more restrictive rules than NZ (eg Australia) to a whole of life savings model (eg Singapore) where contributions are split into different accounts, each for a specific purpose.

RECOMMENDATIONS:

The recommendations that result from this research are that relevant government agencies, which includes the Retirement Commission and Inland Revenue, and potentially others such as the Financial Markets Authority, MBIE and MSD, should do the following.

a. Improve hardship withdrawal data collection and reporting

Work with KiwiSaver providers and supervisors to improve the collection and publication of hardship withdrawal data, including:

- the grounds relied on for hardship withdrawals;
- repeat withdrawal behaviour;
- demographic information;
- withdrawal purposes; and
- approved withdrawal amounts.

This would provide a stronger evidential basis for future policy decisions and enable better monitoring of emerging trends.

b. Standardise hardship withdrawal processes

Work with KiwiSaver providers and supervisors to develop:

- a standard provider hardship withdrawal application form;
- consistent evidential requirements;
- standard treatment of privacy waivers;
- clearer communications with applicants and financial mentors; and
- greater transparency around how approved withdrawal amounts are calculated.

By way of background, stakeholders reported significant variation between provider processes, forms and communication practices.

c. Further investigate requiring consultation with a financial mentor as part of the application process or adopting a centralised hardship application clearing house model

Further investigate how to incorporate an element of financial mentoring expertise in the hardship withdrawal process. Possible options might be to:

- require applicants to consult a financial mentor before submitting a hardship withdrawal application; and/or
- require providers to refer applicants to a financial mentor as part of the application process when that was considered to be or indicated as being appropriate in the circumstances; and/or
- establish a centralised hardship application assessment and support clearing house staffed by financial mentors, specialist debt management organisations and other support services. This entity could contract with the providers to undertake the work associated with hardship applications, liaise directly with KiwiSaver members seeking to make an application, and assess and process hardship applications before a formal application is made to the relevant supervisor. The clearing house would in effect provide the service of processing all hardship withdrawal applications and work with applicants to consider other options as required by the circumstances. It could potentially be funded by the providers.

Any such reform would require consideration of funding, quality standards, sector capacity and implications, and operational requirements.

d. Explore alternative payment mechanisms

Investigate whether hardship withdrawals should, in appropriate cases:

- be paid directly to creditors;
- be administered through an intermediary organisation; or
- be distributed in a manner that better reflects the purpose for which the withdrawal was approved.

e. Undertake further policy work on sidecar savings accounts

Consistent with recommendations previously made by the Retirement Commission, further investigate and potentially trial sidecar or emergency savings accounts linked to KiwiSaver, including consideration of:

- contribution rates;
- conditions of access (restricted or unrestricted);
- savings caps;
- opt-in versus opt-out participation;
- implementation costs; and
- any legislative amendments required.

Such accounts could help members build emergency savings and assist members to keep part of their KiwiSaver balance intact. It could also help reduce reliance on hardship withdrawals.

f. Retain current hardship withdrawal eligibility settings

Do not introduce more restrictive eligibility criteria, withdrawal caps, or limits on repeat withdrawals at this stage.

Continued monitoring of trends and outcomes is recommended before consideration is given to increasing the threshold for hardship withdrawals.

SECTION 2
KIWISAVER HARDSHIP WITHDRAWALS – REGULATORY FRAMEWORK AND INDUSTRY GUIDANCE

i. Overview of KiwiSaver

KiwiSaver is a work-based savings scheme, introduced in 2007 and regulated under the KiwiSaver Act 2006.[12] The purpose of that Act is outlined in s 3, which states:[13]

The purpose of this Act is to encourage a long-term savings habit and asset accumulation by individuals who are not in a position to enjoy standards of living in retirement similar to those in pre-retirement. The Act aims to increase individuals' well-being and financial independence, particularly in retirement, and to provide retirement benefits.

Features of the KiwiSaver scheme include automatic enrolment, option to opt out, contributions from employees of 3% or more,[14] employers matching that or providing higher contributions and the government giving a contribution annually of up to $260 per member.[15] Each KiwiSaver scheme has a manager (also referred to as the 'provider') which is the entity that manages the investments and administers member accounts. Each scheme also has a supervisor, which is an independent trustee that oversees the manager and holds the scheme assets on trust for the members.[16] As at September 2026 there were 29 KiwiSaver providers (managers) and 5 supervisors.[17] The main supervisors are the Public Trust, Trustees Executors and the New Zealand Guardian Trust.

The KiwiSaver scheme sits alongside New Zealand Superannuation (known as NZ Super), a regular fortnightly benefit payment that is provided to all New Zealanders,[18] currently from age 65, which is not (under current law) means tested. The New Zealand Superannuation Fund was established to help fund NZ Super.[19]

The Retirement Commission stated in its 2025 Review of Retirement Income Polices that retirement income policies are "based on a social contract or the idea that society has a duty to support people in later life, especially when they are no longer in paid work. In return, individuals contribute to the system through work (both paid and unpaid), taxes and savings. This shared responsibility helps build trust and fairness across generations".[20] Retirement income policies also "support people in maintaining a stable standard of living as they age, by smoothing their consumption over time, through both individual savings and collective support."[21]

ii. Hardship Access to KiwiSaver Funds

The grounds on which a member can withdraw funds from their KiwiSaver scheme are set out in the KiwiSaver Scheme Rules, which are in implied into every KiwiSaver scheme deed.[22]

A member is allowed to withdraw all of their funds from their KiwiSaver scheme from the age of eligibility for NZ Super (currently age 65).[23] Members can withdraw funds before age 65 in these situations:

- For the purchase of a first home.[24]

12 Te Ara Ahunga Ora Retirement Commission, *Review of Retirement Income Policies 2025*, n 1, at 22.
13 KiwiSaver Act 2006, s 3(1).
14 In its Budget 2025, the New Zealand Government introduced some changes to KiwiSaver. One of these is that the default rate of employee and matching employer KiwiSaver contributions will rise from 3% to 4% in two stages, with some changes coming into effect on 1 April 2026 and some on 1 April 2028. On 1 April 2026 the default rate for employees and matching employer contributions went up to 3.5%. On 1 April 2028 the default rate will go up to 4%.
15 Te Ara Ahunga Ora Retirement Commission, *Review of Retirement Income Policies 2025*, n 1, at 17.
16 The rules requiring a manager and a supervisor and the roles of each are set out in the Financial Markets Conduct Act 2013, part 4.
17 Information from the IRD <https://www.ird.govt.nz/kiwisaver/kiwisaver-individuals/joining-kiwisaver/kiwisaver-providers and the FMA>, <https://www.fma.govt.nz/business/licensed-providers/>
18 Eligibility for New Zealand Superannuation is subject to residency requirements.
19 Te Ara Ahunga Ora Retirement Commission, *Review of Retirement Income Policies 2025*, n 1, at 18.
20 At 16.
21 At 16.
22 KiwiSaver Act 2006, s 116.
23 Schedule 1 cl 4.
24 Schedule 1 cl 8.

- On death.[25]
- In cases of serious illness.[26]
- In cases of life-shortening congenital conditions.[27]
- Sometimes in cases of permanent emigration.[28]
- To pay certain taxes.[29]
- In cases of significant financial hardship.[30]

The focus of this research is on the last ground for withdrawal, namely withdrawal in cases of significant financial hardship. Hardship settings aim to balance preserving retirement savings against meeting members' immediate financial needs. The maximum amount that may be withdrawn on this ground is the value of the member's accumulation less the amount of the Crown contribution (disregarding any positive or negative returns for the purpose of calculating the amount of the Crown contribution) on the date of withdrawal.[31]

A member who wishes to withdraw funds on the grounds of significant financial hardship must apply to their KiwiSaver scheme supervisor.[32] The KiwiSaver Scheme Rules set out some rules around withdrawals on this ground.[33] The KiwiSaver Scheme Rules require that the scheme supervisor must be reasonably satisfied that:[34]

- a member is suffering or is likely to suffer from significant financial hardship (see the next section for the definition of this term), and
- reasonable alternative sources of funding have been explored and have been exhausted.

The supervisor may direct that the amount withdrawn be limited to a specified amount that, in the opinion of the supervisor, is required to alleviate the particular hardship.[35]

In practice, a member makes an application for a hardship withdrawal first to their scheme provider (the manager), and the provider then reviews the application and forwards it to the supervisor once all aspects of the form have been completed and all required information obtained.

The Financial Services Council, which has as its members, the majority of KiwiSaver Scheme providers and importantly the three main supervisors, has issued guidelines (the FSC Guidelines) for its members on what constitutes significant financial hardship.[36] The FSC Guidelines have been described by the Retirement Commission in this way:[37]

The guidelines were developed by the Financial Services Council of New Zealand for use by the industry to help bring consistency across New Zealand's KiwiSaver industry and drive good customer outcomes. The Guidelines are not mandatory but represent commonly agreed industry best practice. They aim to ensure a consistent understanding of the significant financial hardship test and how it operates and is tested, as well as how claims are processed.

In relation to the process for a hardship application, the FSC Guidelines state:[38]

The Manager [ie provider] will receive the [significant financial hardship] withdrawal application and is responsible for collecting the required supporting evidence, analysing the information provided, preparing a budget and submitting the complete application to the Supervisor. [...] A Manager may also make a recommendation to its Supervisor as to whether or not an application should be accepted, but it is the Supervisor who must determine whether a [significant financial hardship] withdrawal application is to be approved or declined, based on its own independent assessment of the information submitted.

25 Schedule 1 cl 9 (the member's personal representative may apply for the withdrawal).
26 Schedule 1 cl 12.
27 Schedule 1 cl 12B.
28 Schedule 1 cls 14 and 14B.
29 Schedule 1 cl 14C.
30 Schedule 1 cl 10.
31 Schedule 1 cl 10(2).
32 Schedule 1 cls 10 and 13. The supervisor is licensed under the Financial Markets Conduct Act 2013 and is independent of the manager, with responsibility for monitoring the manager's performance, ensuring compliance with the trust deed and regulations, and reporting issues to the Financial Markets Authority. Note that in the case of a restricted KiwiSaver Scheme, the application for withdrawal is made to the manager – KiwiSaver Scheme rules, rule 10(1). A restricted KiwiSaver scheme has restricted membership or is closed to new members and is registered as a restricted scheme. A restricted scheme does not need a licensed supervisor. There are a few restricted KiwiSaver schemes in operation but the vast majority of KiwiSaver Schemes are not restricted schemes. This report focuses on KiwiSaver Schemes that are not restricted schemes.
33 Schedule 1 cls 10 and 11. Clauses 10 and 11 are set out in Appendix 1 to this report.
34 Schedule 1 cl 10(3)(a).
35 Schedule 1 cl 10(3)(b).
36 Financial Services Council NZ, *Significant Financial Hardship Processing Guidelines* Version 2 approved 2 August 2022 (FSC Guidelines).
37 Te Ara Ahunga Ora Retirement Commission, *KiwiSaver pre-age 65 withdrawals and savings suspensions*, (Policy Papers 2023/02, 2023) at p 8.
38 FSC Guidelines, n 36, at [17].

iii. Meaning of Significant Financial Hardship

The KiwiSaver Scheme Rules set out a list of circumstances that can indicate "significant financial hardship".[39] The list, set out below, is not exhaustive.[40]

"Significant financial hardship" includes significant financial difficulties that arise because of—

(a) a member's inability to meet minimum living expenses; or

(b) a member's inability to meet mortgage repayments on his or her principal family residence resulting in the mortgagee seeking to enforce the mortgage on the residence; or

(c) the cost of modifying a residence to meet special needs arising from a disability of a member or a member's dependant; or

(d) the cost of medical treatment for an illness or injury of a member or a member's dependant; or

(e) the cost of palliative care for a member or a member's dependant; or

(f) the cost of a funeral for a member's dependant; or

(g) the member suffering from a serious illness.[41]

Unfortunately, the data available from IRD on amounts withdrawn on the ground of significant financial hardship does not indicate the amounts of withdrawals based on each of the individual grounds set out above. This report focuses on the first ground, withdrawals on the basis of the member's inability to meet minimum living expenses. This is the "most common reason" for members to make an application for an early withdrawal on the basis of significant financial hardship.[42]

The FSC Guidelines note that:[43]

The list of [significant financial hardship] grounds in clause 11(1) is not exhaustive. It allows for other causative factors to be considered and is merely a guide. [Significant financial hardship] must of course be tested objectively, and the hardship (actual or likely) must be genuine. However, Supervisors must take care not to exclude outright other causative factors which are just as capable as others of resulting in hardship.

A hardship assessment therefore needs to address more than merely the cause of the member's financial difficulties. It requires scrutiny of the member's overall financial situation (are the financial difficulties significant in that context?) and financial outlook (will it persist?).

"Significant" denotes important or noteworthy – reinforcing that a serious impact on the member's overall financial situation is required.

The FSC Guidelines provide an explanation of inability to meet "minimum living expenses" as follows:[44]

This is the most common reason for members to make an application for an early withdrawal on the basis of [significant financial hardship]. "Minimum living expenses" should be assessed in the context of accepted community standards across New Zealand by way of analysing the applicant's income, expenses, assets and liabilities with a view to determining whether their circumstances are such that they can reasonably be said to satisfy the first criterion for a hardship based early withdrawal. In most cases, members would have insufficient income to cover minimum living expenses. In some cases, the deficit may be due to excessive debt that the member cannot service or other exceptional circumstances which are further discussed below.

Managers and Supervisors should use a weekly budget spreadsheet to analyse the member's income, expenses, assets and liabilities and determine a deficit. When completing the budget template for a member, "minimum living expenses" would usually include the actual and reasonable costs of:

(i) Basic food and grocery items. This would include sufficient quantity and quality of goods to maintain a good nutritional diet for the member and their dependants' household and maintain good hygiene. It is good industry practice to use the 'moderate costs' category set out in the latest available Otago Food Cost Survey, which is produced by the University of Otago and is typically updated annually.

39 KiwiSaver Act 2006, Schedule 1 cl 11.
40 Schedule 1 cl 11.
41 "Serious illness" has the meaning given to it by clause 12(3).
42 FSC Guidelines, n 36, at [4(a)].
43 At [3].
44 At [4]. Footnotes omitted from quote.

(ii) Accommodation (including mortgage repayments, rates and necessary maintenance for the principal family residence). The actual and reasonable costs of the member's existing accommodation would be included. It would not generally be reasonable to expect the member to move to less expensive accommodation (whether rental or owned). This would typically cause unnecessary expense and further hardship for the member and dependants. Accommodation expenses would also include rates, insurance and necessary maintenance. However, if the accommodation was of such an excessively high standard that changing accommodation was a reasonable alternative source of funding then the excess costs should not be regarded as falling within minimum living expenses.

(iii) Basic clothing. This includes only essential or otherwise basic wardrobe items. Expensive and upmarket brands of clothing as well as discretionary expenditure on clothing for the member or dependants would not qualify as "minimum living expenses".

(iv) Utility services such as power, gas, internet and telecommunications. What is included in this category is the reasonable cost of utility services. The reasonableness test can be applied by reference to regional cost variations and the member might be asked to demonstrate what steps they have taken to reduce excessive expenditure on these services. Discretionary expenditure on these services would not be within the definition of minimum living expenses. Telecommunications includes a home phone line and mobile phone but does not include standalone Sky TV and subscription Internet channels (such as Netflix).

(v) Transportation. This would include the operation and maintenance of up to two vehicles per household and the use of public transport (as applicable). Excluded from the definition would be the estimated additional cost of more expensive or high fuel cost vehicles, where it is considered that those can reasonably be disposed of and replaced (thus providing an alternative source of funding to alleviate the financial hardship).

(vi) Reasonable costs of general and medical insurances. These costs include house, contents and car insurance as well as basic medical insurance plans and life insurance.

(vii) Medical and dental costs necessary for the maintenance of good health for the member and dependents. Discretionary non-essential medical costs such as cosmetic dental treatment or IVF treatment would generally be excluded, however they may be assessed on a case by case basis on their individual merits. The member could be asked to demonstrate that they have taken reasonable steps to minimise these costs to alleviate their current situation.

(viii) The reasonable and actual costs of school attendance. This would include school fees and activity costs such as sports equipment, sports trips or camping trips that are moderately priced within the core part of the New Zealand Curriculum. Discretionary non-essential school costs such as international school trips would be excluded from the definition of minimum living expenses. Private school fees could also be included where those costs have already been incurred. It would not generally be reasonable to expect the member to source alternative education arrangements, particularly if it requires time to look at alternative, suitable options. Whether tertiary education costs are 'minimum living expenses' needs to be interpreted according to the circumstances of each individual case. If these costs are to be taken into account, there must be reasonable evidence to support that alternative funding sources such as government funding (namely student loans) have been explored and exhausted.

(ix) The reasonable costs of the purchase and maintenance of normal and basic household items. This would be judged by what could reasonably be expected to be found in an average household (for example, washing machine, fridge and dryer).

(x) The reasonable costs of dependants with special needs. Members will undoubtedly incur extra costs if they have dependant(s) with special needs. The member may need to work reduced hours or may even be unable to work. The actual costs will generally be offset by grants from various agencies and care must be taken to allocate this income to the purpose for which it has been provided.

(xi) Church tithing and/or donations. These expenses may be considered a 'minimum living expense' in certain limited circumstances. Care should be taken to ensure that any refusal of a withdrawal (either wholly or in part) on the basis that (for example) tithing might be either reduced or discontinued does not unlawfully discriminate in terms of the Human Rights Act 1993 on the ground of religious belief.

Overarching all of this, however, is a holistic assessment of the member's circumstances which should not be overly 'forensic' or literal. If the member can establish, to the reasonable satisfaction of the Supervisor, that they cannot meet (or are unlikely to be able to meet) minimum living expenses, then the withdrawal should be treated as permissible even if there is some expenditure at the fringes of what the Supervisor considers to be a minimum living expense. There are some cases where a member is suffering or is likely to suffer significant financial difficulties not because their expenses

exceed their income but because there are other circumstances in the member's life that cause such difficulties. These are discussed below.

What are "minimum living expenses" has also been articulated by several of the KiwiSaver providers on their websites. For example:

AMP KiwiSaver Scheme:[45]

Minimum living expenses include:

- *basic food and groceries*
- *mortgage, rent and board payments*
- *basic clothing*
- *utility bills: power, water, electricity, phone bills*
- *basic transportation costs, petrol, bus fares*
- *medical or care costs for yourself or any financial dependents*

Minimum living expenses are not:

- *paying off credit card debt*
- *hire purchase payments for non-essential items*
- *fines, infringement notices, WINZ debt or an amount payable under a Court Order*
- *debt collection agency bills*
- *holidays*
- *travel (other than basic transportation)*

NZ Funds KiwiSaver Scheme:[46]

Minimum living expenses include the actual and reasonable costs of:

- *basic food and grocery items;*
- *accommodation (including mortgage payments, rent, rates, insurance, repairs and maintenance of the principal family home);*
- *basic clothing;*
- *utility services (power, gas, phone);*
- *transportation (including vehicle registration, insurance, repairs and maintenance);*
- *medical and dental costs essential for the maintenance of good health;*
- *school fees (excluding private schools) and tertiary education costs.*

ASB KiwiSaver Scheme:[47]

What are minimum living expenses?

- *Basic food and groceries;*
- *Your utility bills: power, water, electricity, phone bills;*
- *Mortgage, rent, board;*
- *Basic transportation costs, petrol, bus and train fares;*
- *Medical or care costs for yourself or someone who is fully dependent on you.*

What aren't minimum living expenses?

- *Credit card debt or hire purchase payments for non-essential items;*
- *Fines, infringement notices, WINZ debt or Court Orders;*
- *Debt collection bills and costs;*
- *Holidays;*
- *Travel to visit sick relatives;*
- *Subscriptions, fees or membership costs.*

45 AMP Wealth Management New Zealand "KiwiSaver: significant financial hardship" <https://www.amp.co.nz/kiwisaver/kiwisaver-and-significant-financial-hardship>

46 NZ Funds "significant-financial-hardship-information" <https://www.nzfunds.co.nz/direct/significant-financial-hardship-information/>.

47 ASB Bank "KiwiSaver and significant financial hardship" <https://www.asb.co.nz/kiwisaver/kiwisaver-hardship.html>.

MoneyHub provides the following guidance:[48]

To be able to access your KiwiSaver money, you will need to prove that you cannot meet your 'minimum living expenses'. These are defined as:

1. *Basic food and grocery items, and*
2. *Accommodation (including rent, mortgage repayments, interest, rates and necessary maintenance for the principal family residence), and*
3. *Basic clothing, and*
4. *Utility services such as power, gas and telecommunications, and*
5. *Transportation, and*
6. *Fire and general insurances, and*
7. *Medical and dental costs necessary for the maintenance of good health, and*
8. *School fees (excluding private school fees) and tertiary education costs, and*
9. *Expenses in relation to any dependents with special needs, and*
10. *Other normal (non-luxury) household items.*

We interviewed Debtfix, a not-for-profit organisation that offers a free advisory service for people with debt management issues. Debtfix currently has contracts with six KiwiSaver providers to process the hardship withdrawal applications those providers receive and to prepare the applications to the supervisor (for withdrawal applications that go ahead). Debtfix told us that the supervisors have their own 'benchmarks', being the set amounts they will allow for each category of expense.

In terms of accessing KiwiSaver to repay debt, the FSC Guidelines say this:[49]

5. DEBT REPAYMENT

In some cases, the inability to meet "minimum living expenses" is due to unmanageable debts. Any debt (such as a mortgage, credit card or hire purchase debt or a personal loan) will be included in the budget sheet. As a general rule of thumb, it is not possible to withdraw funds from KiwiSaver early on the basis of [significant financial hardship] simply to repay debt in full. This includes debt such as a mortgage, credit card, personal loan or car loan. In some limited circumstances a withdrawal may be permitted to repay arrears. In order for this to occur, it must first be established the member is suffering or is likely to suffer [significant financial hardship] because of an inability to meet minimum living expenses.

Guidance put out by dispute resolution scheme Financial Services Complaints Ltd (the FSCL Consumer Guide) similarly states that hardship withdrawals cannot simply be used to repay debts if the legal criterion for significant financial hardship is not met.[50]

However, amounts that members are required to pay on their debts, such as personal loans and credit card bills, are in practice included when calculating a member's weekly financial deficit. Financial mentors are often asked by clients to assist with an application for a KiwiSaver withdrawal on the grounds of financial hardship (see further section 5 of this report). This requires the mentor to complete a weekly budget. Mentors told us that they include regular repayment obligations in the budget as a matter of course.

One mentor explained: "*Things like minimum credit card repayments, debt repayments, and other committed obligations are included because they are ongoing commitments that the client has already entered into.*"[51]

Similarly, another mentor noted that: "*It doesn't matter whether the debt is secured or unsecured. It's still a commitment that the person has made.*"[52]

48 MoneyHub NZ "KiwiSaver Hardship Withdrawal: How to Apply & Get Approved" (7 April 2026) <https://www.moneyhub.co.nz/kiwisaver-hardship.html>.
Money Hub describes itself as "a New Zealand consumer website, dedicated to money saving via in-depth journalistic research and reporting as well as harvesting and presenting public information in an easy-to-follow manner." "MoneyHub was founded with the sole aim of presenting consumer and financial products and services in a clear and understandable way to the general public. We pride ourselves on being non-political and free of direct advertising, although Google Adverts are displayed on some pages and we have no control over what advertisers appear." See About MoneyHub - MoneyHub NZ.

49 FSC Guidelines, n 36, at [5].

50 Financial Services Complaints Limited "Consumer guide: KiwiSaver financial hardship withdrawals" (FSCL Consumer Guide) <https://fscl.org.nz/consumer-guide-kiwisaver-financial-hardship/>.

51 Financial Mentors Focus Group, facilitated by Victoria University, 29 May 2026.

52 Financial Mentors Focus Group, facilitated by Victoria University, 29 May 2026.

We were told that the mentor will also set out in the application the debt arrears the client has (ie missed payment obligations for example on a car loans).[53] This would include any debts and other expenses such as rates and other utility bills where an arrears notice has been issued. The application would therefore commonly be a request for an amount to clear the arrears, plus an amount for 13 weeks of the budget deficit.[54]

Debtfix explained that, when processing a KiwiSaver hardship withdrawal application, the focus is not on the applicant's total debt burden but rather on their immediate financial hardship. Under its contracts with the six KiwiSaver providers, Debtfix gathers all necessary information, considers other options the applicant might have and based on the information gathered, prepares the application form that is to go to the supervisor if a withdrawal application goes ahead.

Debtfix noted:

"The debt amount owed does not get included in your KiwiSaver withdrawal amount—only the arrears. It's made up of any arrears you've got, any one-off costs you might be requesting, and then a 13-week budget deficit."

This indicates that outstanding debt balances are not directly factored into the withdrawal calculation. Instead, eligibility and the amount approved are based on overdue payments (arrears), and projected budget shortfalls over a 13-week period. In addition, the application can include a request for an amount for essential one-off expenses. In effect, there are three different amounts that can be requested under the hardship application: an amount to cover arrears already due and owing (eg credit card or buy now pay later debt and unpaid utility bills): an amount to cover 13 weeks of the budget deficit based on a weekly budget prepared by the applicant, and an amount to cover any essential one-off expense (eg if the applicant can demonstrate need to purchase a car).

Financial mentors we spoke to expressed concern that the FSC and scheme provider guidance may not accurately reflect how hardship applications are prepared and assessed in practice. One mentor observed that if committed debts are not recognised, applicants may quickly find themselves back in financial hardship, saying: "*If those commitments aren't recognised as part of their minimum expenses at the application stage, then the client is likely to fall back into significant financial hardship very quickly after receiving an approved withdrawal.*"[55]

A different mentor similarly suggested that the concept extends beyond basic living costs alone, saying: "*Minimum living expenses should actually be thought of as minimum weekly obligations.*"[56]

These comments suggest that, while provider guidance generally focuses on essential household expenditure, preparation and assessment of hardship applications in practice appears to include consideration of a member's broader ongoing financial commitments, including debt servicing obligations.[57]

iv. Requirement to Exhaust Alternative Funding Sources

The member must demonstrate to the supervisor that alternative sources of funding have been explored and exhausted.[58] The following comes from FSC Guidelines:[59]

The Supervisor must be reasonably satisfied that reasonable alternative sources of funding have been explored and exhausted. Reasonable alternative funding sources include other liquid savings and investments. Additional finance, including mortgage finance and unused credit lines, should not be considered a reasonable alternative due to the affordability issues created by incurring additional repayment obligations and interest costs and the impact on the family unit's overall debt levels.

It is important first to establish what "reasonable alternative sources" of funding are and then to determine whether they have been explored and exhausted. "Exhausted" means used up or depleted entirely. The policy principle is that accessing KiwiSaver funds is a last resort.

Given the legislative requirement for the Supervisor to be reasonably satisfied that reasonable alternative sources of funding have been explored and exhausted, a [significant financial hardship] application cannot be approved unless that test is met, even if (for example) the criterion relating to inability to meet minimum living expenses is satisfied.

53 Email from a financial mentor to the researchers for this report, 19 June 2026.
54 We were told that the application could potentially be for three amounts – arrears, 13 times the weekly budget deficit, and an amount for a one-off expense if that could be justified (for eg a vehicle or dental treatment).
55 Financial Mentors Focus Group, facilitated by Victoria University, 29 May 2026.
56 Financial Mentors Focus Group, facilitated by Victoria University, 29 May 2026.
57 Financial Mentors Focus Group, facilitated by Victoria University, 29 May 2026.
58 KiwiSaver Act 2006, sch 1 cl 10(3).
59 FSC Guidelines, n 36, at [6].

The circumstances listed in clause 11 of the KiwiSaver Scheme Rules are less compelling grounds for a [significant financial hardship] based withdrawal in situations where the member has other assets that can be characterised as reasonable alternative sources of funding. However, where those other assets are impaired, or their timely conversion to cash would trigger material losses or penalties, or they are necessary to sustain a reasonable standard of living, those factors become part of the hardship determination.

In addition to assessing whether there are any reasonable alternative sources of funding, other reasonable sources of income should also be considered. It is unlikely to be reasonable, for example, to expect the member to take on additional or different employment or to rent out part of the family home if those activities will undermine the member's ability to lead a normal life. However, additional sources of income will include relevant Government assistance programs as listed in Appendix One of these Guidelines.[60]

In relation to government assistance, the FSC Guidelines say:[61]

If it is apparent that the member would be eligible for one or more benefits, it is reasonable to either ask them to apply, or notionally assess the benefit expected to be available. This is an alternative source of assistance and must be explored before the [significant financial hardship] claim can be determined.

v. Determining the Withdrawal Amount

The amount the member can withdraw on the grounds of significant financial hardship is up to "the value of the member's accumulation less the amount of the Crown contribution (disregarding any positive or negative returns for the purpose of calculating the amount of the Crown contribution) on the date of withdrawal".[62]

The supervisor may direct the amount withdrawn.[63] In 2025, Radio New Zealand (Susan Edmunds) reported, based on comments made by KiwiSaver providers spoken to, that "The supervisor determines the amount that can be withdrawn based solely on demonstrated financial need" and "Public Trust will look at the evidence and decide on an amount that will allow the member to subsist for 13 weeks. If the members need more funds after that, they can reapply."[64]

The guidance issued by dispute resolution scheme Financial Services Complaints Ltd states that "When considering a withdrawal application where the member cannot meet their minimum living expenses, the supervisor usually considers the amount required to assist with the member's budget shortfall for the next 13 weeks."[65] The FSC Guidelines state that part of the role of the provider (when processing applications before forwarding them to the supervisor) is to:[66]

Assess the budgeted deficit and multiply by 13 to ascertain the amount required to cover a 13 week payout period. Given that the assessment is forward looking, 13 weeks is considered to be a reasonable period of time given changes that may occur in the member's financial position, balanced against the administrative burden for the member of making additional withdrawals.

Financial mentors confirmed that they understood that the maximum withdrawal amount was based on 13 weeks of budget deficit. The member can also ask in their hardship withdrawal application for an amount to cover arrears (ie, a lump sum to cover outstanding payment obligations such as unpaid and now overdue interest on a personal loan) and also request an amount to cover a one-off necessary expense, such as an amount needed to purchase an essential vehicle.[67]

In 2025, according to the FMA's KiwiSaver Annual Report, the average amount withdrawn on the grounds of significant financial hardship amounted to $10,058.[68] The Retirement Commission 2025 Review stated:[69] "The average hardship withdrawal is around $10,000, which can reduce a person's final retirement balance by $40,000 or more due to lost compounding returns."

60 Appendix One of the FSC Guidelines lists government assistance programmes such as Jobseeker Support and Sole Parent Support.

61 FSC Guidelines, n 36, at [15].

62 KiwiSaver Act 2006, sch 1 cl 10(2).

63 Schedule 1 cl 10(3)(b). Note that the supervisor makes the decision in relation to most KiwiSaver schemes. The manager makes the decision in relation to restricted schemes.

64 Susan Edmunds "KiwiSaver members wiping out their balances" *Radio New Zealand* (online ed, 18 November 2025). See also Public Trust "Supervision" available at https://www.publictrust.co.nz/corporate-trustee-services/supervision/ (noting Public Trust acts as supervisor for multiple KiwiSaver schemes).

65 FSCL Consumer Guide, n 50, at 2.

66 FSC Guidelines, n 36, at [18(b)(vi)].

67 See FinCap "2026 update on income, expenses and debt trends, as well as the need for sustainable funding for financial mentoring and licensing requirements for debt collection" n 8 at 23 - "We heard from several mentors that they had noticed many clients making KiwiSaver hardship withdrawals to purchase cars. While this may not be the intended purpose of a hardship withdrawal, it highlights the necessity of car ownership."

68 Financial Markets Authority (New Zealand) *KiwiSaver Annual Report 2025*, n 4 at 8.

69 Te Ara Ahunga Ora Retirement Commission *Review of Retirement Income Policies 2025*, n 1, at 51. "The average hardship withdrawal is around $10,000, which can reduce a person's final retirement balance by $40,000 or more due to lost compounding returns."

vi. Application Requirements

The application for a significant hardship withdrawal must be in a form required by the supervisor.[70] The member must provide a completed statutory declaration of their assets and liabilities.[71]

The FSC Guidelines require the provider of the scheme to develop an application form. The FSC Guidelines state:[72]

Managers [ie providers] should ensure that the [significant financial hardship] application form contains a checklist of documents that are required from the member in order to assess the application, as well as clear instructions relating to how the member can make a statutory declaration. Application forms should also provide members with an indication of how many days it may take to process the application. KiwiSaver default providers are required to have processed an application and sent a confirmation letter within ten (10) days of receiving an application from a member who is in their default investment fund. More generally, timelines should be consistent with any requirements of law. Application forms should also make clear that Supervisors have discretion to determine the amount paid out to alleviate hardship, and this may be less than the member's accumulation (excluding the Government contributions amount, which cannot be withdrawn) or the amount requested.

One KiwiSaver provider states this on its webpage "How to Apply" (for a hardship withdrawal):[73]

Under Step 2 – 'Gather supporting documents', the page states:
Applications are assessed based on your total household income, assets and expenses.

Under Step 3 – 'Complete the Statutory Declaration', the page states:
This is a declaration that your application is complete, true and correct. An authorised witness needs to see you complete and sign the Statutory Declaration, then they sign it in person (not digitally or over a video call).

The FSCL Consumer Guide states that:[74] *The information needed depends on the reasons for why the member is in hardship. The supervisor may also need information from the member's spouse or partner (or other people in the member's household that contribute financially to the day-to-day running of the home).*

A Retirement Commission 2023 policy paper stated that the Public Trust (one of the supervisors) reported that in 2022 they on average approved 87% of applications either fully or partially.[75]

The Retirement Commission 2025 Review noted:[76]

Repeat withdrawals are becoming more common, with many members returning for additional funds after the initial 13-week relief period, sometimes depleting their entire balance.

See section 5 of this report for discussion of some issues with the application forms ('What Stakeholders Told Us').

vii. Implications for benefit entitlements

The Ministry for Social Development (MSD) has reportedly stated that repeated hardship withdrawals may affect entitlement to certain benefits.[77] While a one-off withdrawal may not necessarily be treated as income, it would seem that periodic hardship withdrawals could potentially be considered income under the Social Security Act.[78]

An MSD interviewee was reported in a RNZ news release as stating that[79] *"However, if a person made periodical withdrawals from their KiwiSaver due to hardship, for example, every three months, such payments could potentially be considered income for benefit purposes. Under the Social Security Act 2018, a person's income includes any periodical payments made to the person from any source and used by them for income-related purposes whether or not the payments are capital."*

70 KiwiSaver Act 2006, sch 1 cl 13.
71 Schedule 1 cl 13.
72 FSC Guidelines, n 36, at [18].
73 ANZ Bank New Zealand Limited, *KiwiSaver significant financial hardship withdrawal*, available at: <https://www.anz.co.nz/personal/kiwisaver/tips-tools/kiwisaver-significant-financial-hardship-withdrawal/>
74 FSCL Consumer Guide, n 50, at 1.
75 Te Ara Ahunga Ora Retirement Commission *KiwiSaver pre-age 65 withdrawals and savings suspensions*, n 37, at 7.
76 Te Ara Ahunga Ora Retirement Commission *Review of Retirement Income Policies 2025*, n 1, at 51.
77 See Susan Edmunds "Benefit warning for KiwiSaver withdrawals" *Radio New Zealan*d (online ed, Wellington, 22 April 2026
78 Susan Edmunds "Benefit warning for KiwiSaver withdrawals", n 77.
79 Susan Edmunds "Benefit warning for KiwiSaver withdrawals", n 77.

In addition, the interviewee said that: *"The withdrawn amount will also be considered a cash asset, which may affect benefits such as Accommodation Supplement or Temporary Additional Support."*

As a consequence, KiwiSaver members experiencing ongoing hardship who repeatedly withdraw amounts from KiwiSaver on the grounds of hardship may inadvertently affect their entitlement to state support while also reducing their retirement savings.

viii. Hardship withdrawals intended to be a last resort

The FSCL Consumer Guide states that *a withdrawal is essentially a last resort where the member has no other way to meet their minimum living expenses or other costs which are causing them financial difficulties.*[80]

The FMA webpage 'Thinking of making a KiwiSaver hardship withdrawal? Here's what you need to know' states that:[81]

The rules around KiwiSaver hardship applications are deliberately strict, to discourage members from missing out on future benefits.

It's important to realise withdrawing money reduces your future savings by much more than the amount you withdraw. You will not only crystallise the losses your fund has suffered since the effects of COVID-19 began, but also lose out on future returns.

For example, a 35-year-old earning $80,000 who has contributed 3% to a KiwiSaver balanced fund since KiwiSaver started 13 years ago could have a fund now worth $100,000. If they withdrew $30,000 now, they could have $47,000 less by the time they turn 65.

Some KiwiSaver providers have expressed concerns that people use this avenue for non-essential purposes and are missing out on the long-term gains that KiwiSaver is supposed to provide.[82]

Despite hardship withdrawals being intentionally difficult to access, some argue that the hardship rules have made it too easy to access KiwiSaver funds as generally applications are accepted too easily to avoid complaints.[83]

Later in this report options to assist KiwiSaver members to keep money in their KiwiSaver scheme are discussed. See section 4.

ix. FSCL Complaints relating to KiwiSaver Hardship Withdrawals

Dispute resolution scheme Financial Services Complaints Ltd (FSCL) has published case studies that illustrate the types of complaints they receive and the outcomes.

FSCL case studies indicate that complaints relating to significant financial hardship withdrawals have arisen where members disagree with the supervisor's assessments of whether alternative sources of funding have been adequately explored and exhausted, or whether the evidence provided is sufficient to establish eligibility for a withdrawal.[84]

80 FSCL Consumer Guide, n 50, at p 2.

81 Financial Markets Authority "Thinking of making a KiwiSaver hardship withdrawal?" (24 August 2021) available at < https://www.fma.govt.nz/news/all-releases/covid-19/thinking-making-kiwisaver-hardship-withdrawal/>https://www.fma.govt.nz/news/all-releases/covid-19/thinking-making-kiwisaver-hardship-withdrawal/

82 Susan Edmunds "People learning to manipulate the system: Call for KiwiSaver hardship withdrawal changes" *Radio New Zealand* (online ed, Wellington, 6 November 2025).

83 Susan Edmunds "Government will end up paying if we don't fix 'leaky tap' of KiwiSaver, expert says" *Radio New Zealand* (online ed, Wellington, 16 September 2025).

84 See for example Financial Services Complaints Limited "Declined KiwiSaver significant financial hardship withdrawal" available at <https://fscl.org.nz/case-studies/declined-kiwisaver-significant-financial-hardship-withdrawal/> 'The Act also provides that the supervisor must be reasonably satisfied that reasonable alternative sources of funding have been explored and have been exhausted. It seemed reasonable to us that the supervisor wanted information from [the applicant] to show that he had explored a loan, with repayments funded from his weekly budget surplus, as an alternative way of paying for the orthodontic treatment.'

The case studies also demonstrate disputes about whether particular expenses qualify as minimum living expenses. These include requests to fund business expenses, investment property costs, private school fees, debt repayment, and anticipated future financial difficulties.[85]

In addition, some case studies involve complaints related to delays and administrative issues in the processing of significant financial hardship applications, including lost applications, communication difficulties and disputes about the information required to assess an application.[86]

Several case studies involve the issue of whether an application can be made to repay debt. These case notes evidence that the FSCL view is that having debt in and of itself is not sufficient to establish significant financial hardship.[87] The FSCL Consumer Guide states that the KiwiSaver Scheme Rules do not permit a hardship application to enable the member to make lump sum debt repayments.[88]

A summary of all the case studies (to June 2026) available on the FSCL website relating to financial hardship withdrawals is set out in Appendix 2 to this report.

85 See for example Financial Services Complaints Limited: "Let me access my KiwiSaver" available at <https://fscl.org.nz/case-studies/let-me-access-my-kiwisaver/>: "We found that the supervisor's decision to decline [the applicant's] application was reasonable. Releasing the funds would help improve [the applicant's] situation by letting him complete his investment project, but he was still able to meet his minimum expenses (for example food, clothing, rent, and transport) without his KiwiSaver money. This meant that he didn't meet the significant hardship threshold. Business expenses or expenses relating to his investment property were not 'minimum' expenses."

See also, Financial Services Complaints Limited "Can I withdraw from KiwiSaver to repay debt?" available at <https://fscl.org.nz/case-studies/can-i-withdraw-from-kiwisaver-to-repay-debt/> "The supervisor empathised with [the applicant's] situation, but they could not allow a withdrawal to pay down debt. The supervisor could only consider debt servicing costs."

See also, Financial Services Complaints Limited "Private school fees contribute to financial hardship" available at <https://fscl.org.nz/case-studies/private-school-fees-contribute-to-financial-hardship/> "The Guidelines' starting point is to exclude private school fees from a person's minimum living expenses. To depart from the Guidelines and include private school fees as a minimum living expense the trustee would have to be satisfied [the applicant} had no option but to enrol their children in a private school." (Note that the current Guidelines are more explicit about private school fees as a minimum living expense.)

See also, Financial Services Complaints Limited "Financial hardship withdrawal for potential redundancy not allowed" available at <https://fscl.org.nz/case-studies/financial-hardship-withdrawal-for-potential-redundancy-not-allowed/> "[The applicant] complained to FSCL, saying it was unreasonable for the supervisor to prevent him from withdrawing funds to plan for the financial consequences of his possible redundancy. He considered it unfair that he would need to wait until hardship had materialised before becoming eligible to withdraw funds."

See also, Financial Services Complaints Limited "Significant financial hardship application goes missing" available at <https://fscl.org.nz/case-studies/significant-financial-hardship-application-goes-missing/>

86 "[The applicant] said that he had resubmitted the application, properly witnessed, at a particular bank branch on the first Saturday after level 4 lockdown ended. [He] said that he had spoken to a male staff member who had accepted the application and assured him it would reach the correct place. The supervisor said that neither they, nor the bank, had received the application and there was nothing more they could do to help. The supervisor referred [the applicant] back to the bank to start the application process again."

87 See Financial Services Complaints Limited "Can you use KiwiSaver to repay debt?" available at <https://fscl.org.nz/case-studies/can-you-use-kiwisaver-to-repay-debt/> and Financial Services Complaints Limited "Family debt difficulties" available at < https://fscl.org.nz/case-studies/family-debt-difficulties/>.

88 See Financial Services Complaints Limited "Can I withdraw from KiwiSaver to repay debt?", n 85.

SECTION 3
DATA RELATING TO SIGNIFICANT FINANCIAL HARDSHIP WITHDRAWALS

i. Overview

This section examines the available data on KiwiSaver significant financial hardship withdrawals, including trends in the number and value of withdrawals over time, the average amounts withdrawn, and the broader context of growth in KiwiSaver membership and funds under management.

Significant financial hardship withdrawals have increased since KiwiSaver was introduced, reflecting both the growth of the scheme and increasing financial pressures experienced by members. Data published by the Retirement Commission indicates a clear upward trend in both the numbers and value of hardship withdrawals over the past decade, notwithstanding some year-to-year fluctuations.[89]

Over a twelve-year period examined by the Retirement Commission (2012 – 2023), the number of hardship withdrawals increased by an average of 14% per annum, while the total value withdrawn increased by an average of 22% per annum.[90] By comparison, the average amount withdrawn per application has been relatively stable, increasing by approximately 7% per annum.[91] In the five years prior to that Retirement Commission paper (2018 – 2023) the average amount withdrawn ranged from $6,200 and $7,300.[92] As noted earlier (and below), the FMA reported that the average hardship withdrawal amount in 2025 was $10,058.[93]

These trends should be considered in the context of the continued growth of KiwiSaver itself, with funds under management in KiwiSaver Schemes increasing by an average of 21% per annum and membership increasing by approximately 5% per annum over the same period.[94]

ii. 2025 withdrawals

As at 31 March 2025, there were around 3.4 million KiwiSaver members, with total funds under management of $123.1 billion.[95] Total withdrawals for the year to 31 March 2025 reached $5.9 billion and have increased by 16.6% from 2024. The breakdown of withdrawals for the year to 31 March 2025 is set out in the table below (Table 1):[96]

Category	Amount withdrawn	Share of total
Retirement (age 65)	$3.0b	51%
First home	$1.8b	30%
Significant financial hardship	$443.6m	7%
Other withdrawals	$0.7b	12%
Total	**$5.9b**	**100%**

89 Te Ara Ahunga Ora Retirement Commission *KiwiSaver pre-age 65 withdrawals and savings suspensions*, n 37, at 8, noting that over the previous 12 years both the number and value of hardship withdrawals showed an upward trend, with the number of withdrawals increasing by an average of 14% per annum and the value withdrawn increasing by an average of 22% per annum.

90 At 8.

91 At 8.

92 At 1. "Between 2012 and 2023 a total of $983 million has been withdrawn for financial hardship. Both the number of financial hardship applications, and the quantum of funds accessed show an increasing trend over time, the average amount withdrawn has ranged between $6,200 and $7,300 over the past five years."

93 Financial Markets Authority (New Zealand), *KiwiSaver Annual Reports 2025*, n 4, at 8.

94 Te Ara Ahunga Ora Retirement Commission *KiwiSaver pre-age 65 withdrawals and savings suspensions*, n 37, at 8, stating:
"The increasing trends should also be viewed in the context of growing KiwiSaver balances over time as KiwiSaver funds under management have increased on average 21% per annum over the 12 year period, while member numbers have increased by 5% on average per annum over the past 12 years."

95 Financial Markets Authority (New Zealand), *KiwiSaver Annual Reports 2025*, n 4, at 2.

96 Financial Markets Authority (New Zealand), *KiwiSaver Annual Reports 2025*, n 4.

Significant financial hardship withdrawals have risen sharply in recent years, increasing from $264.3 million in the year to 31 March 2024 to $443.6 million in the year to 31 March 2025, reflecting mounting financial pressure on members.[97] This is a 50.8% increase and up by $179.3 million. The average amount withdrawn was $10,058.[98]

The FMA noted that is possible that the increase reflects the difficult economic conditions and tight labour market that has been in play, which may be the cause of members needing extra support during these times.[99]

iii. 2016–2025 Withdrawals

The long-term trend of significant financial hardship withdrawals over the past decade is set out in the table below (Table 2):[100]

Year	Total hardship withdrawals ($m)	Number of hardship withdrawals	Average hardship withdrawal ($)	Total KiwiSaver withdrawals ($bn)	Hardship withdrawals as % of total KiwiSaver withdrawals
2025	$443.6	44,099	10,058	$5.90	7.0%
2024	$264.3	29,242	9,000	$5.06	5.2%
2023	$144.9	18,291[101]	7,921	$3.96	3.7%
2022	$106.0	-	-	$3.20	3.3%
2021	$159.3	21,000	7,584	$3.05	5.2%
2020	$111.0	-	-	$3.63	3.1%
2019	$107.9	-	-	$2.99	3.6%
2018	$101.0	16,968	5,952	$1.70	5.9%
2017	$81.0	13,970	5,786	$1.4	5.8%
2016	$65.0	-	-	$1.0	6.5%

Based on the figures in Table 2, a trend of significant financial hardship withdrawals over time can be graphed as follows (Figure 1):[102]



97 At 8.

98 At 8.

99 At 8.

100 Financial Markets Authority, *KiwiSaver Annual Reports 2016–2025* (Wellington, 2016–2025) <https://www.fma.govt.nz/library/reports-and-papers/kiwisaver-report/> Note that the FMA did not publish the number of withdrawals in relation to certain years.

101 Financial Services Complaints Limited "New guidance for consumers on KiwiSaver withdrawals for hardship" (2023) <https://fscl.org.nz/news/new-guidance-for-consumers-on-kiwisaver-withdrawals-for-hardship/>, In 2023, it was assessed that 20% of applications for hardship withdrawals were related to significant financial hardship caused by a weather event. Furthermore, the primary reason for hardship withdrawals was a change in employment, which significantly impacted members' income and financial stability.
See also The Project NZ "Should you take cash from your KiwiSaver?" (YouTube video, 11 May 2023) Newshub <https://www.youtube.com/watch?v=58_D5mGLi14>.

102 Author's graph based on data from Financial Markets Authority, *KiwiSaver Annual Reports 2016–2025*, n 100.

The data in Table 2 and Figure 1 above shows three clear phases across the years between 2016 to 2025. Those phases include the initial growth phase, before moving into the years where COVID took place[103] then following onto the period where cost of living has been particularly high in New Zealand.[104]

Phase one was the gradual growth phase from 2016 to 2019. During this period there was a gradual increase in withdrawals for significant financial hardship, from $65 million in 2016 to $107.9 million in 2019.[105] The FMA noted that during this time they tried to contain the use of the hardship withdrawal facility.[106]

During the period of 2020 to 2022 there was more instability. KiwiSaver was under pressure as global markets responded to the shock of COVID-19.[107] The hardship withdrawals continued to increase, moving up to $111 million in 2020[108] and this increased further to $159.3 million in 2021.[109] The FMA reported that hardship withdrawals grew by 42.8% in this period.[110]

In 2022, there was a decline in the total hardship withdrawal amount to $106 million.[111] The FMA suggested that, despite uncertain conditions, most KiwiSaver members' balances remained buoyant and significant financial hardship withdrawals decreased back to levels seen before the previous year's jump.[112]

From 2023 onwards, the data shows there has been a sustained increase in hardship withdrawals.[113] The total of hardship withdrawals increased by 36.7% to $144.9 million in 2023[114] and then increased to $264.3 million in 2024[115] and then further to $443.6 million in 2025.[116] This has been noted by the FMA as a 50.8% increase in hardship withdrawals from 2024 and 2025.[117] The FMA suggested that "the substantial increase reflects the more challenging economic conditions and labour market, including cost-of-living challenges, with New Zealanders increasingly turning to their KiwiSaver funds during these times."[118]

This increase coincided with a period of sustained cost-of-living pressure in New Zealand. Annual inflation peaked at 7.3% in 2022, the highest level in decades,[119] food prices, rents, and mortgage interest costs increased repayment pressure on mortgage holders, while labour market conditions weakened during 2024 and 2025. These factors are likely to have reduced many households' ability to meet minimum living expenses using ordinary income or short-term savings.

At the same time, KiwiSaver balances have grown substantially over time, as the scheme has matured. Recent data indicates that the average KiwiSaver balance across all members reached approximately $41,286 in 2026, an increase of 11.3% from 2024.[120] The data also showed that almost 450,000 members held balances of more than $80,000, while around one-third of members continued to have balances below $10,000.[121]

103 Financial Markets Authority *Lockdown: A review of KiwiSaver member behaviour in response to COVID 19* (June 2021) at 8, "The number of KiwiSaver withdrawals for both first home deposits and significant hardship increased slightly during and after COVID-19 compared to 2019."

104 Financial Markets Authority (New Zealand), *KiwiSaver Annual Report 2025*, n 4, at 8.

105 Financial Markets Authority *KiwiSaver Annual Report 2016* (2016).

106 Financial Markets Authority *KiwiSaver Annual Report 2019* (2019).

107 Financial Markets Authority *KiwiSaver Annual Report 2021* (2021) at 3: "KiwiSaver held up under pressure this year, as global markets bounced back from the initial shock of COVID-19, despite further lockdowns here and cases surging overseas."

108 Financial Markets Authority *KiwiSaver Annual Report 2020* (2020).

109 Financial Markets Authority *KiwiSaver Annual Report 2021*, n 107, at 3: "In the year to 31 March 2021, significant financial hardship withdrawals rose 42.8% to $159.3 million, up from $111.5 million a year earlier, and $107.9 million in 2019."

110 Financial Markets Authority *KiwiSaver Annual Report 2021*, n 107.

111 Financial Markets Authority *KiwiSaver Annual Report 2022*.

112 At 3 and 5: "Despite such conditions, most KiwiSaver members' balances have been buoyant" and "With unemployment down during the year, so too were significant financial hardship withdrawals, decreasing 33.4% to $106 million, back to the levels seen before last year's jump."

113 Financial Markets Authority, *KiwiSaver Annual Report 2023* (2023).

114 Financial Markets Authority, *KiwiSaver Annual Report 2023*, n 113.

115 Financial Markets Authority, *KiwiSaver Annual Report 2024* (2024).

116 Financial Markets Authority *KiwiSaver Annual Report 2025*, n 4.

117 Financial Markets Authority *KiwiSaver Annual Report 2025*, n 4.

118 At 8. "This continues last year's upward trend and reflects the more challenging economic conditions and labour market."

119 Stats NZ "Annual inflation at 7.3 percent, 32-year high" (18 July 2022) <https://www.stats.govt.nz/news/annual-inflation-at-7-3-percent-32-year-high/>.

120 See Susan Edmunds "The average KiwiSaver balance for your age" *Radio New Zealand* (online ed, Wellington, 26 May 2026) "The average balance across all members is now $41,286, up 11.3 percent from 2024. Men's average is $47,452 and women's $38,212."

121 Edmunds, n 120 "There are almost 450,000 members with more than $80,000, about 15 percent of all members." "While a third of KiwiSaver members have less than $10,000 in their accounts, the number with larger balances is growing."

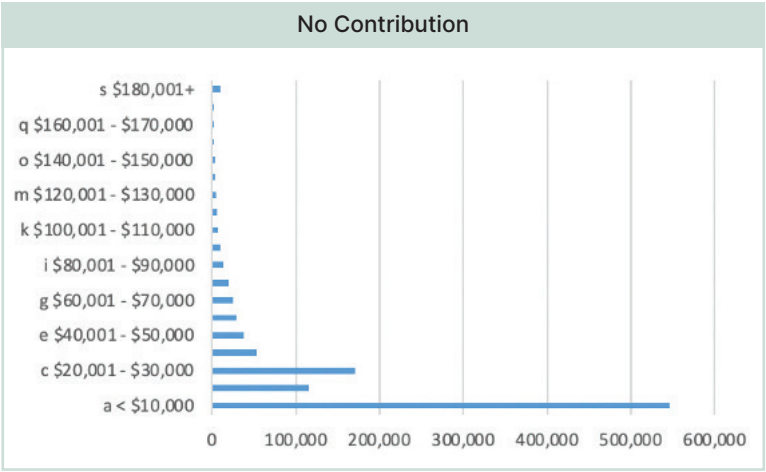
The Retirement Commission was reported as saying in May 2026 that lower-income earners, part-time workers, and those moving in and out of paid work were less likely to contribute consistently and therefore tended to have lower retirement saving balances.[122] These trends suggest that while KiwiSaver is maturing and producing substantial balances for some members, significant disparities remain across income groups and contribution patterns.

The upward trend is also shown in frequency and number of withdrawals. The number of members accessing funds on the grounds of financial hardship has increased from 13,970 members in 2017[123] to 44,099 members in 2025.[124] Additionally, the average amount withdrawn has moved from $5,786 in 2017[125] to $10,058 in 2025.[126]

Overall, this data raises questions about the role of KiwiSaver, and whether it is being used for short term financial stability alongside its original function as a long-term retirement savings vehicle.[127]

iv. Contribution behaviour (2024 non-contributors)

Figure 2 below outlines the number of members who made no contributions for the year ended 30 June 2024 , assessed by income bracket.[128]



In the year to 31 March 2024, 2.35 million members made contributions, while 1.09 million members made no contributions, around a third of total members.[129] Lower income earners and younger members made up majority of those non-contributing members.[130] This may be significant in the context of hardship withdrawals, as members who are unable to contribute consistently may also be more financially vulnerable and more likely to experience difficulty meeting minimum living expenses. Lower contribution rates will also contribute to lower long-term retirement savings outcomes over time.

122 Edmunds, n 120 "Michelle Reyers, policy lead at Te Ara Ahunga Ora, the Retirement Commission, said the data showed the scheme was delivering strong results for many people, but also showed where more support was needed. "People on lower incomes, those working part-time or those moving in and out of paid work are much less likely to contribute and their KiwiSaver balances at age 65 reflect those reduced contributions.""

123 Financial Markets Authority, *KiwiSaver Annual Report 2017* (2017).

124 Financial Markets Authority *KiwiSaver Annual Report 2025*, n 4.

125 Financial Markets Authority *KiwiSaver Annual Report 2017*, n 123.

126 Financial Markets Authority *KiwiSaver Annual Report 2025*, n 4.

127 Financial Markets Authority *KiwiSaver Annual Report 2021*, n 107, at 1.

128 Te Ara Ahunga Ora Retirement Commission *KiwiSaver Hardship Withdrawal Statistics (2016–2025)* (Excel dataset, New Zealand).

129 Te Ara Ahunga Ora Retirement Commission, *KiwiSaver Hardship Withdrawal Statistics (2016–2025)* (Excel dataset, New Zealand).

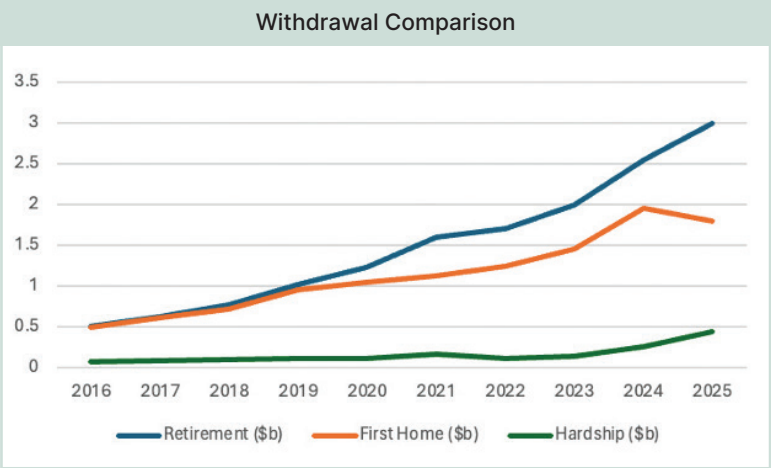
130 Te Ara Ahunga Ora Retirement Commission, *KiwiSaver Hardship Withdrawal Statistics (2016–2025)* (Excel dataset, New Zealand).

v. Comparative withdrawal analysis

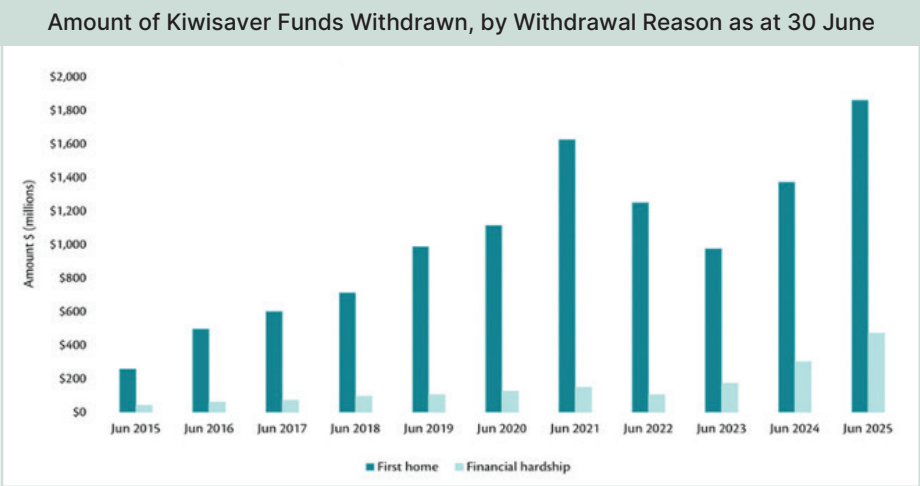
A comparative overview of withdrawal categories from 2016 to 2025 is set out below (Table 3):[131]

Year	Retirement ($b)	First Home ($b)	Hardship ($m)	Other ($b)	Total withdrawals ($b)
2025	3.00	1.80	443.6	0.70	5.90
2024	2.55	1.95	264.3	0.31	5.06
2023	2.00	1.45	144.9	0.37	3.96
2022	1.70	1.25	106.0	0.15	3.20
2021	1.60	1.12	159.3	0.17	3.05
2020	1.23	1.05	111.0	1.24	3.63
2019	1.02	0.95	107.9	0.92	2.99
2018	0.77	0.72	101.0	0.11	1.70
2017	0.63	0.61	81.0	0.18	1.4
2016	0.51	0.50	65.0	0.09	1.0

The relative growth in numbers of retirement, first home and hardship withdrawals from 2016 to 2025 is set out in graph form below (Figure 3):[132]



The relative growth of first home and hardship withdrawals from 2015 to 2025 is set out below in graph form (Figure 4):[133]



131 Financial Markets Authority, *KiwiSaver Annual Reports 2016–2025*, n 100.

132 Author's graph based on data from Financial Markets Authority, *KiwiSaver Annual Reports* 2016–2025, n 100.

133 Inland Revenue "Statistics on KiwiSaver fund withdrawals, by amount" (2026). Available at <https://www.ird.govt.nz/about-us/tax-statistics/kiwisaver/withdrawals/amount>

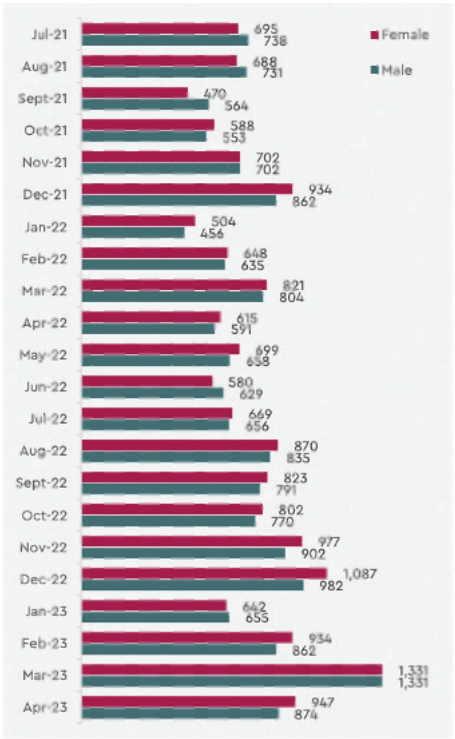
The amount withdrawn from KiwiSaver for first home purchases and financial hardship has increased significantly over time, rising from $289.9 million in 2015 to $2.3 billion in 2025.[134]

The data suggests that KiwiSaver funds are increasingly being used to manage short-term financial stress. However, such withdrawals may have a lasting effect on individuals' retirement outcomes, highlighting the tension between immediate financial needs and KiwiSaver's long-term purpose.[135]

vi. Gender Inequities

It would appear that overall women are slightly more likely to make significant hardship withdrawals than men, as demonstrated by the following figures from the period July 2021 to April 2023 (Figure 5):[136]

Number of Significant Financial Hardship Withdrawals by Gender



Source: Inland Revenue customised data

There is research showing KiwiSaver balances on average are 25% higher for men than women.[137] Women also have a lower average weekly income as compared with men (see Figure 6 below).[138]

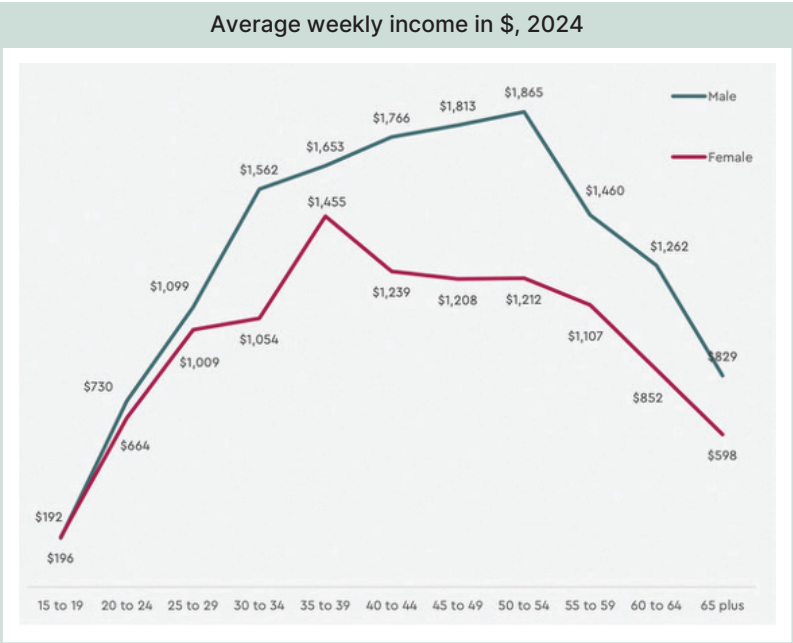
134 Inland Revenue, n 133.

135 Susan Edmunds "The KiwiSaver members wiping out their balances," n 64, noting that "hardship withdrawals have increased substantially in recent years as cost-of-living pressure has gone on households" and that this "could have a lasting effect on a person's retirement outcomes."

136 EeMun Chen, Martin, Jenkins & Associates Ltd, Women and retirement incomes (Retirement Commission June 2025).

137 EeMun Chen, *Women and retirement incomes*, n 136.

138 EeMun Chen, *Women and retirement incomes*, n 136.



Additionally, women are more likely to work part-time, hold multiple jobs, be employed in lower-paid sectors, and experience higher rates of job turnover, all of which contribute to lower levels of retirement savings.[139]

vii. Applications

KiwiSaver supervisors have noted that a large number of those members who do make a hardship application, have their application approved.[140] By way of example, supervisor Guardian Trust reported that in 2015 it dealt with approximately 5,000 applications and approved 95% of requests.[141]

Research by the Retirement Commission shows that applications may be declined where documentation or evidence is not provided, where the member has not exhausted alternative sources of funding such as repayment arrangements or government assistance, or where the request does not meet the threshold for significant financial hardship.[142] Applications may also be declined where the request is to repay debt in full, where incomes levels are too high, or where expenditure relates to non-essential items such as home renovations.[143]

A KiwiSaver provider we spoke to told us:

"Usually about two thirds of applicants will be approved and will get access, but a third won't, and mainly because one, they haven't met all the criteria, and two, they haven't provided the follow up documents that are required."

viii. Mentors can help a person to avoid a withdrawal

According to a 2019 report produced by the Retirement Commission, going to a financial mentor can help an individual avoid making a hardship withdrawal application. The 2019 report stated that:[144]

A survey of budget advisers who currently work with hardship withdrawal applicants reports a 20% rate of avoided withdrawals due to identifying alternatives. For more experienced advisers in this KiwiSaver hardship area, that rate can rise as high as 50%.

See sections 4 and 5 of this report for further discussion of the role of financial mentors in the context of financial hardship withdrawals.

139 EeMun Chen *Women and retirement incomes*, n 136, at 1.

140 Te Ara Ahunga Ora Retirement Commission *KiwiSaver pre-age 65 withdrawals and savings suspensions*, n 37, at 7, "According to supervisors a very high level of those that make an application have their application approved."

141 At 7, "according to supervisors a very high level of those that make an application have their application approved. In 2015 Guardian Trust, which had dealt with approximately 5,000 applications that year, approved 95% of requests."

142 At 7: "Reasons for declining applications included: documentation hasn't been provided... the member hasn't exhausted other alternatives..."

143 At 7, "Reasons for declining applications included: ...request to settle a debt in full... [or] the application does not meet the threshold for hardship... requests are for renovations such as a deck extension."

144 Te Ara Ahunga Ora Retirement Commission *Review of Retirement Income Policies 2019* (December 2019) at 72.

SECTION 4
OPTIONS TO HELP ADDRESS THE HIGH RATES OF WITHDRAWALS ON THE GROUNDS OF FINANCIAL HARDSHIP

New Zealand's policy settings for KiwiSaver around hardship withdrawal appear to be at the more generous end by comparison to some other countries, notably Australia and the UK. If there was a willingness or desire to consider options for changing those policy settings, with the goal of helping individuals to keep money in the KiwiSaver scheme, what options might be explored?

This section looks at some of the options. The options discussed are:

- Reviewing the threshold around significant financial hardship withdrawals;
- Requiring consultation with a financial mentor as part of the withdrawal application process;
- Changes to the KiwiSaver Scheme structure to enable 'sidecar' savings (whereby only part of a member's balance, that part allocated to a separate sidecar account, can be accessed for significant financial hardship withdrawal);
- More active promotion of a personal insolvency pathway as an alternative option;
- Review of the rules around savings suspensions; and
- Review of criteria for access to Work and Income Special Needs grants

i. Reviewing the threshold around significant financial hardship withdrawals

One option is to review the eligibility requirements for a 'significant financial hardship' withdrawal, with a view to making it more difficult to access amounts in your KiwiSaver account.

Currently, a member must show they are suffering, or are likely to suffer from, significant financial hardship (as defined) and that "reasonable alternative sources of funding have been explored and have been exhausted."[145]

Significant financial hardship includes significant financial difficulties that arise, for example, because of: a member's inability to meet minimum living expenses, a member's inability to meet mortgage repayments on his or her principal family residence resulting in the mortgagee seeking to enforce the mortgage on the residence; the cost of modifying a residence to meet special needs arising from a disability of a member or a member's dependant; the cost of medical treatment for an illness or injury of a member or a member's dependant; the cost of palliative care for a member or a member's dependant; the cost of a funeral for a member's dependant; and the member suffering from a serious illness.[146]

For the purposes of this report, we are focusing on the first of these grounds, namely inability to meet minimum living expenses.[147]

One option would be to limit the amount that can be withdrawn and/or the number of times a member can withdraw for financial hardship, within a 12-month period. At present, a KiwiSaver member may currently withdraw up to the value of their accumulation (less Crown contributions), subject to the supervisor's discretion.[148] There is no statutory limit on the number of hardship withdrawals that may be made within a certain period.[149]

Australia provides an example of a more restrictive approach. Under the Australian approach (see section 6 of this report) a person under preservation age seeking access to superannuation on the grounds of severe financial hardship must have received eligible government income support continuously for at least 26 weeks, continue to receive that

145 KiwiSaver Act 2006, sch 1 cl 10(3) "reasonable alternative sources of funding have been explored and have been exhausted."

146 Schedule 1 cl 11.

147 See section 2 of this report for discussion of the meaning of minimum living expenses.

148 There is an industry practice of only allowing enough by way of withdrawal to cover 13 weeks of expenses. See Financial Services Complaints Limited "KiwiSaver withdrawals are strictly limited" <https://fscl.org.nz/case-studies/kiwisaver-withdrawals-strictly-limited/>; This is also what we were told by those we interviewed.
See further section 2 of this report for discussion of the different amounts a member can apply for in a hardship withdrawal.

149 KiwiSaver Act 2006, sch 1 cl 10(2) withdrawal up to "the value of the member's accumulation less the amount of the Crown contribution."

support, and be unable to meet reasonable and immediate family living expenses. Those individuals may make only one withdrawal in a 12-month period and may withdraw no less than $1,000 and no more than $10,000.[150]

Another option would be to require an objective test of financial hardship, for example that the member is receiving or has been for a certain period in receipt of a government benefit such as Jobseeker Support or Sole Parent Support.[151] In Australia, receipt of government income support for a continuous period of 26 weeks is a prerequisite for most hardship withdrawals. Such a requirement provides a clear and verifiable threshold for eligibility.[152]

Introducing similar eligibility criteria, withdrawal caps, or limits on repeat withdrawals in New Zealand could reduce the amount withdrawn on the grounds of financial hardship and reduce the risk of members repeatedly drawing down their retirement savings. Such measures could also reinforce the principle that hardship withdrawals are intended to be a last resort rather than an ongoing source of financial support.[153]

However, in our discussions with stakeholders we did not identify support for measures that would make it harder to access a financial hardship withdrawal. See further section 5 of this report.

ii. Requiring consultation with a financial mentor as part of the withdrawal application process

Another policy option is to require applicants for a financial hardship withdrawal to have consulted with a financial mentor before applying or as part of the application for a withdrawal. The main purpose of this would be to ensure that the applicant had considered all other options before deciding to apply for a KiwiSaver hardship withdrawal. This could, for example, be a requirement that an application would not be processed by a provider unless the applicant has met with a financial mentor (and provided evidence of that) or it could be that all providers could be required to outsource the process of handling hardship applications to a central clearing house that was staffed with persons with financial mentoring expertise, who would have the ability and a mandate to discuss other options with the applicant as part of the application process.

In its 2019 Review of Retirement Polices, the Retirement Commission found that going to a financial mentor can help an individual avoid making a hardship withdrawal application. The 2019 Review stated that:[154]

A survey of budget advisers who currently work with hardship withdrawal applicants reports a 20% rate of avoided withdrawals due to identifying alternatives. For more experienced advisers in this KiwiSaver hardship area, that rate can rise as high as 50%.

Evidence from one financial mentor was that of the 133 clients they had seen in their current role, 54 had KiwiSaver accounts clearly identified. Only three of those 54 opted to access KiwiSaver through hardship applications after working with the financial mentor and having had the option mentioned amongst others available to address hardship. This example suggests that financial mentors can be effective at finding other solutions to financial hardship rather than early withdrawal of retirement funds, when this is on the table.[155]

The researchers for this report viewed a number of the providers' application forms for a hardship withdrawal. Sometimes these forms suggested that the applicant should see a financial mentor (eg ANZ, Generate) or recommended that the applicant see a financial mentor (eg BNZ) or stated that if the applicant has consulted with a financial mentor, they should provide more details of the outcome of that discussion (eg ASB, Fisher Funds). This suggests that consultation with a financial mentor is a recognised part of the process for a withdrawal application (but that there is no one uniform approach).

Many financial mentors spoken to in the course of the research for this report favoured incorporating a compulsory

150 AustralianSuper "Accessing your super due to financial hardship" <https://www.australiansuper.com/campaigns/financial-hardship-faqs> "only one withdrawal… in a 12-month period." Withdrawal "limited to $1,000–$10,000."

151 The FSC Guidelines (n 36) state (at [15]): "If it is apparent that the member would be eligible for one or more benefits, it is reasonable to either ask them to apply, or notionally assess the benefit expected to be available. This is an alternative source of assistance and must be explored before the SFH claim can be determined." However that is not the same as requiring the member to have been in receipt of such a benefit for a certain period.

152 Superannuation Industry (Supervision) Regulations 1994 (Cth) reg 6.01(5)(a)(i)(A) "received Commonwealth income support payments for a continuous period of 26 weeks."

153 See FSCL Consumer Guide, n 50, at 2. A hardship withdrawal is "a last resort where the member has no other way to meet their minimum living expenses."

154 Te Ara Ahunga Ora Retirement Commission *Review of Retirement Income Policies 2019*, n 144, at 72.

155 Evidence provided by FinCap to the researchers for this report.

session with a mentor as part of the withdrawal application process, because that would assist the client to consider and test other options.[156] However, there is an issue that this would take up a significant amount of time, and mentors are already under resourced.

It would seem that financial mentors are currently spending significant amounts of time dealing with KiwiSaver hardship applications. As noted in section 5 of this report, mentors are often requested to do a KiwiSaver hardship application for a client, and this is likely to take 2-3 hours of the mentor's time. FinCaps' Voices report 2026 stated that:[157]

KiwiSaver hardship applications made up 13% of advocacy actions taken as a percentage of closed client cases, indicating that one-in-eight clients sought a withdrawal of their KiwiSaver;

and

on average, financial mentors reported spending 40% of their time responding go KiwiSaver hardship withdrawal enquires.

One of the recommendations made in the 2026 Voices report was that the Retirement Commission/Te Ara Ahunga Ora review how the KiwiSaver hardship withdrawal processes could be streamlined to reduce strain on financial mentors.[158]

The 2019 Retirement Commission Review proposed changing who is involved in the decision-making process, moving hardship applications away from being handled solely by KiwiSaver providers and into a centralised system that includes financial mentoring and support services.[159]

The 2019 Review stated:

There is growing support for creating a centralised hub for hardship applications. FinCap, which represents 200 budgeting services nationwide who deliver financial capability services from 330 locations, agree with the merits of this proposal, and have indicated that, if the Government supports this recommendation, they are prepared to form the centralised hub. We believe that they are the best-placed organisation to coordinate hardship cases, and can offer practical wrap-around support for applicants, as they are able to draw on a number of financial capability services that could work with hardship applicants to avoid the need for withdrawal of some or all of their KiwiSaver funds.

We have spoken to FinCap in the course of this research in relation to these comments and were told:[160]

"FinCap does not currently recommend any particular direction like a central hub but remains interested in working with other stakeholders to improve outcomes in this space, acknowledging that:

- *if the purpose of KiwiSaver is to improve wellbeing and financial independence in retirement, it is important to find effective ways to address the financial difficulties that divert potential savings for a growing number of people;*
- *research (like this research) and further reviews are needed to inform policy solutions; and*
- *FinCap has a current recommendation that KiwiSaver and other industry groups regularly contribute to address what FinCap says is the chronic underfunding of free financial mentor support in communities."*[161]

The idea of having a central clearing house that all hardship withdrawal applications would be referred to by providers was supported by some of those we interviewed.

In particular Debtfix was in favour of a central clearing house that would receive all financial hardship applications, assess other options for the applicant, prepare the application to the supervisor (if that was required after other options were considered) and stay connected with the client right up to the point where funds are released. This clearing house could be funded by the providers and could do the work of processing hardship applications and putting forward formal applications to the relevant supervisor (once all other options had been explored), being the work that would otherwise have to be undertaken by the providers themselves. One option, and the model currently being used by Debtfix which effectively operates as a clearing house for six providers, is for the providers to send all applications

156 FinCap mentioned to us that there are other financial mentors who are against people being compelled to see a financial mentor as this can lead to a demoralising and ineffective engagement with what should be a strengths-based practice.

157 FinCap "2026 update on income, expenses and debt trends, as well as the need for sustainable funding for financial mentoring and licensing requirements for debt collection", n 8, at 25 and 3.

158 At 7.

159 Te Ara Ahunga Ora Retirement Commission *Review of Retirement Income Policies 2019*, n 144, at 72.

160 Evidence provided by FinCap to the researchers for this report.

161 The latest Voices publication of FinCap discusses the underfunding of financial mentoring services and makes recommendations. See FinCap Voices July 2026, "Update on income, expenses and debt trends, as well as the need for sustainable funding for financial mentoring and licensing requirements for debt collection", at pp 31-40.

for financial hardship withdrawals to the central clearing house and that entity would do all the tasks associated with considering and progressing the application, including discussing other options (as appropriate) with applicants. Given that this would relieve the provider of work that would otherwise have to be done in-house, it would make sense for the providers to pay for this service. Providers would have to be satisfied that the clearing house was meeting requisite standards. In order to avoid double handling issues, financial mentors who see a client asking to do KiwiSaver hardship withdrawal would not be involved in preparing the hardship application.

Debtfix told us, drawing on information from the arrangements that Debtfix has with certain KiwiSaver providers to process their hardship applications, that around 6,000 KiwiSaver members were supported through their hardship application via Debtfix in the year to end of March 2026, that around 2,600 members received a KiwiSaver hardship withdrawal following an independent assessment by Debtfix, and that 3,450 members were supported through alternative pathways without requiring access to their retirement savings. This meant that almost 58% of hardship referrals in that year resulted in an alternative solution, thereby preserving retirement savings while still addressing financial hardship.

The issue of how to incorporate financial mentoring expertise into the hardship application process raises many issues, including -

- if it was a requirement that an applicant must meet with a financial mentor before putting in the application, or that a provider was required to refer an applicant to a financial mentor in appropriate cases, how should or could the extra workload on financial mentors be funded (for eg by the providers)?
- might it be better to instigate a system under which all hardship applications had to be processed by a central clearing house acting under authority from and potentially funded by the providers, and staffed by persons with financial mentoring expertise?
- would either of these options require a change to the law or rules currently governing KiwiSaver schemes?
- if either of these options or a variation on them was considered appropriate, what if anything is required to assist with lifting levels of expertise amongst financial mentors to ensure this work is done efficiently and to a high standard?
- at what point in the process would financial mentoring expertise be required or would need for mentoring assistance be assessed? It would be important to minimise double handling, which could arise if member's financial mentor put in time assisting with a hardship application, only to have the process repeated when the application was processed by a central processing system.

See further section 5 of this report for what we heard from stakeholders about the benefits of getting financial mentoring input to hardship applications.

iii. Changes to the KiwiSaver scheme structure to enable 'sidecar' savings (whereby only part of a member's balance can be accessed for significant financial hardship withdrawal)

Sidecar savings are designed as a hybrid savings tool that combines accessible short-term savings with long-term retirement savings.[162] A sidecar account is an on-call (potentially with some threshold criteria to demonstrate need) savings account linked to a retirement account.[163] Sidecar savings can be implemented through different models, including the two-account model and the in-plan model.[164] Under a two-account model, contributions are initially directed into the accessible account until a predetermined savings target or cap is reached.[165] Once that cap is reached, further contributions are directed into the retirement savings account.[166] If funds are withdrawn from the sidecar account, contributions are redirected back into the accessible account until the cap is reached again.[167] This structure enables individuals to build an emergency savings buffer while continuing to accumulate retirement savings.[168]

162 Rajiv Prabhakar *Sidecar Savings* (House of Commons Library, CBP 9410, 21 December 2021) at 4. "A sidecar account is an instant access savings account that is tied to a pension." Available at <https://researchbriefings.files.parliament.uk/documents/CBP-9410/CBP-9410.pdf>

163 At 4. "A sidecar would allow account holders to access savings in the case of an emergency."

164 At 4. "There are different models of sidecar accounts and these include the two account and in plan model."

165 At 4. "Under a two account model, a saver makes savings into a sidecar account up to a specified savings cap."

166 At 4. "Once the savings cap is reached, extra savings are then added... to pension savings."

167 At 4. "If a person withdraws money from the sidecar, then they begin saving again in the sidecar until the savings cap is reached again."

168 At 6. Under the alternative 'in plan" model, the employee signs up to save with their employer. The employer pays a pension provider the total contribution made by an employee to a workplace pension as well as emergency savings account. The pension provider divides the contribution between the pension account and the emergency savings account.

Arguments in favour of sidecar savings are partly grounded in behavioural economics, which suggests that individuals benefit from separating short-term and long-term savings.[169] Sidecar savings may also help individuals overcome barriers to retirement saving caused by cost-of-living pressures and income volatility.[170] This may be particularly relevant for groups such as younger workers, the self-employed, or those with irregular income.[171] However, challenges remain, including low take-up in existing trials and uncertainty around optimal design features such as enrolment mechanisms and savings caps.[172]

The 2019 Retirement Commission Review proposed the introduction of a 'sidecar' savings mechanism to complement KiwiSaver and reduce the need for members to access retirement savings to meet short-term financial shocks.[173] The 2019 Review noted that some members were using KiwiSaver hardship withdrawals as a source of emergency funding, which could erode the long-term retirement savings purpose of the scheme. To address this issue, the 2019 Review recommended exploring the creation of a side account linked to KiwiSaver that could be accessed for short-term emergencies, such as car repairs, dental treatment, whiteware replacement, and other unexpected expenses, while preserving members' retirement balances.[174]

The 2019 Review proposed that the sidecar facility could operate through the automatic creation of a linked emergency savings account. An additional 1 per cent employee contribution would be directed into the sidecar account until a balance of approximately $3,000 was accumulated, after which subsequent contributions would flow into the member's main KiwiSaver account. The 2019 Review envisaged that the sidecar account would operate as a "safety valve" for unexpected financial shocks, reducing pressure on members to access retirement savings through the hardship withdrawal regime.

It also suggested that withdrawals from the sidecar account could be accompanied by financial guidance through a centralised support hub, providing members with alternative ways to manage financial pressures and helping place them on a more secure long-term financial footing. The Review pointed to overseas evidence supporting this approach, citing a Philippines trial in which customers offered a commitment savings account had bank balances that were 82 per cent higher after 12 months than those who were not offered such an account.[175]

Similarly, the 2025 Retirement Commission Review identified sidecar or emergency savings accounts as a potential mechanism for reducing reliance on hardship withdrawals and improving financial resilience among KiwiSaver members.[176] The 2025 Review recommended that sidecar savings arrangements be designed and trialled as an alternative means of meeting short-term financial needs without requiring members to withdraw funds intended for retirement.[177]

The 2025 Review suggested that sidecar savings accounts could be linked to KiwiSaver and operate alongside existing retirement savings accounts. The 2025 Review emphasised that contributions to sidecar accounts should be treated as additional savings rather than as a substitute for retirement contributions. Under the model discussed by the 2025 Review, members could continue making KiwiSaver contributions as normal while choosing to direct additional contributions into a capped liquid savings account that could be accessed during periods of financial stress.[171]

The 2025 Review noted that this approach could leverage KiwiSaver's existing infrastructure while helping address behavioural barriers to saving.[179] It also identified several design questions that would need to be considered in designing a New Zealand trial, including whether participation should be opt-in or opt-out, the contribution rates that

169 At 4. "the preferable retirement system should be one that includes savings locked in a pension and an instant access sidecar account."

170 At 4. Sidecar savings may help overcome "barriers to retirement savings caused by pressures from the cost of living."

171 At 9, refers to groups such as "young people, the self-employed or those working in the gig economy" facing barriers to saving.

172 At 4. "low take-up… in the existing UK trial" and "design issues… such as the size of the savings cap."

173 Te Ara Ahunga Ora Retirement Commission *Review of Retirement Income Policies 2019*, n 144 at 73 recommending to *"add a 'sidecar' savings facility… thus protecting [members'] main savings while enabling access for shorter-term needs,"*

174 At 73. "This could operate as a safety valve in emergencies such as car repair, dental work, whiteware replacement or other crises. Having a 'sidecar' that was more accessible than main KiwiSaver funds could therefore protect the long-term KiwiSaver balance, which is already being used by some in hardship as an emergency fund, eroding the core purpose of their KiwiSaver."

175 At 73. "Withdrawing funds from the sidecar would also lead to the member being offered financial guidance through the centralised hub. This could provide alternatives that would set the individual down a more secure path in the future. Such an approach has been shown to be successful overseas. In a trial in the Philippines, for example, customers who were offered a commitment account had bank balances that were 82% higher 12 months later compared to customers who were not offered a commitment account."

176 Te Ara Ahunga Ora Retirement Commission Review of Retirement Income Policies 2025, n 1, at 9 proposing to *"design and trial sidecar/ emergency savings accounts"* which *"reduces reliance on hardship withdrawals."*

177 Rajiv Prabhakar *Sidecar Savings*, n 162, at 5.

178 Te Ara Ahunga Ora Retirement Commission *Review of Retirement Income Policies 2025*, n 1, at 51 at 73

179 At 66. "The United Kingdom experience highlights the importance of seeing contributions to sidecars as being in addition to rather than in place of retirement savings. For instance, contributions to KiwiSaver could continue as normal, and members could opt in to direct extra contributions into a capped liquid account. This would leverage existing infrastructure while addressing behavioural barriers to saving."

should apply, and the appropriate size of any savings cap.[180] The 2025 Review considered that trialling these features would help determine how sidecar savings could best support members facing financial shocks while maintaining KiwiSaver's primary focus as a retirement savings scheme.[181]

The Retirement Commission In its Review of Retirement Income Policies 2025 made this recommendation:[182]

Recommendation: Design and trial sidecar/emergency savings accounts. Comment: Some people face financial emergencies that lead them to withdraw money early from their KiwiSaver accounts. This can reduce their retirement savings and make it harder to plan for the future. One way to help is by offering sidecar or emergency savings accounts. These accounts would sit alongside KiwiSaver and allow people to build up short-term savings they can access when needed. This could reduce the number of hardship withdrawals and improve financial resilience, especially for people with lower incomes or less stable work. Trials in other countries show that this approach can work well when contributions to sidecar accounts are treated as extra savings, not a replacement for retirement saving. Some of the key questions to consider in designing a New Zealand trial include whether the accounts should be opt-in or opt-out, what contribution rates would apply, and how large the savings cap should be. Testing this idea would help us understand how it could support people who are more likely to face financial stress, and maintain KiwiSaver's focus as a retirement savings scheme.

One of the best-known examples of a sidecar savings arrangement is the National Employment Savings Trust (NEST) Insight trial in the United Kingdom. The trial tested a "Jars" savings tool, which combines an accessible emergency savings account with a workplace pension.[183] Participants made additional contributions into an emergency savings account until a predetermined savings target was reached, after which further contributions were automatically redirected into their pension.[184] If funds were withdrawn from the emergency account, contributions would once again flow into the emergency savings account until the target balance was restored.[185] The trial was designed to improve financial resilience by helping individuals build short-term emergency savings while continuing to save for retirement.[186]

Early findings suggested that participants valued the flexibility of having access to emergency funds without needing to access their retirement savings. However, take-up was relatively low.[187] Researchers suggested this may have been partly due to the voluntary opt-in nature of the programme and the disruption caused by the COVID-19 pandemic.[188] Despite the low participation rate, the trial demonstrated the potential for sidecar savings arrangements to help individuals manage short-term financial shocks while preserving long-term retirement savings.[189]

NEST subsequently conducted workplace emergency savings trials using automatic enrolment. These trials produced significantly stronger results, increasing participation by approximately 50 percent, with up to 70 percent of employees commencing regular saving. The findings suggest that automatic enrolment may be critical to the success of sidecar savings schemes and may be more important than the precise structure of the savings product itself.[190] Stakeholders we spoke to were generally supportive of sidecar savings arrangements, although some reservations were expressed. See further section 5 of this report. See also section 6 of this report for more details of the NEST trial.

It is worth noting that the UK Workplace Pension System does not allow withdrawals from pension savings based on financial hardship. See section 6 of this report for details of the UK Workplace Pension System. By contrast, KiwiSaver does allow financial hardship withdrawals. It may therefore be an option to take the key elements of sidecar savings and incorporate them into the existing system.

Those key elements include the accessibility of the sidecar savings and that the accessible amount is capped. This means both: that once the cap is reached and the member has that accessible balance, future contributions go into the locked in part of the account; and also that once the accessible balance is withdrawn, it must be rebuilt

180 At 90. "Trials in other countries show that this approach can work well when contributions to sidecar accounts are treated as extra savings, not a replacement for retirement saving. Some of the key questions to consider in designing a New Zealand trial include whether the accounts should be opt in or opt-out, what contribution rates would apply, and how large the savings cap should be."

181 At 88. "Rationale: Reduces reliance on hardship withdrawals, improving financial resilience, and helps maintain KiwiSaver's focus as a retirement savings scheme. Sidecar accounts allow members to build liquid savings alongside long-term retirement savings, aiding those with lower financial capacity manage short-term shocks without undermining their retirement outcomes"

182 At 90. Footnotes removed from quote.

183 Rajiv Prabhakar *Sidecar Savings*, n 162, at 5–7.

184 At 7.

185 At 7.

186 At 5 and 7.

187 At 15.

188 At 15.

189 At 4 and 8–9.

190 At 4 and 8–9.

before becoming again available. Details such as the threshold for withdrawal (what if any level of need must be demonstrated), and the appropriate cap, would need to be worked out. Other issues that arise include whether contributions to the sidecar account would come from or be on top of existing employee/ employer contributions, and also consideration of whether a sidecar savings option would exist alongside the existing hardship withdrawal regime or would replace it.

iv. More active promotion of a personal insolvency pathway as an alternative option

Another policy option is to encourage greater consideration of personal insolvency pathways before a KiwiSaver hardship withdrawal is approved. In some cases, formal insolvency procedures may provide relief from unmanageable debt while preserving retirement savings that would otherwise be permanently withdrawn from KiwiSaver. New Zealand's insolvency framework provides several procedures that may assist individuals experiencing significant financial hardship, including the No Asset Procedure (NAP), Debt Repayment Orders (DROs), and bankruptcy. These procedures are designed to provide relief from unmanageable debt and, in some circumstances, may enable individuals to resolve financial difficulties without accessing retirement savings.[191]

A key feature of the insolvency regime is that KiwiSaver funds generally remain protected from creditors while they remain within the KiwiSaver scheme. The Insolvency and Trustee Service (ITS) states that KiwiSaver is an asset, but "the funds are protected from the creditors while they remain in the fund."[192] Note that one KiwiSaver provider we spoke to expressed concern at the idea that insolvency options should be explored before an application for a hardship withdrawal could proceed, given the serious consequences of going into an insolvency procedure.

a. No Asset Procedure (NAP)

The NAP is intended for individuals who have no realistic ability to repay their debts. It generally lasts for 12 months and is only available once during a person's lifetime. To be eligible, a debtor must have unsecured debts between the statutory thresholds, have no realisable assets available for creditors and have no means of making repayments.[193]

Although KiwiSaver balances must be disclosed when applying for a NAP, KiwiSaver is generally not treated as an available asset unless the member is able to access the funds within the next three years.[194] The Insolvency and Trustee Service notes that KiwiSaver is "not considered an asset unless you're aged over 64."[195]

Importantly, participation in a NAP does not automatically entitle a person to withdraw KiwiSaver funds. However, the existence of a NAP may provide evidence that the person has already explored formal debt-relief options prior to seeking a hardship withdrawal. This aligns with the legislative expectation that hardship withdrawals operate as a measure of last resort.[196]

b. Debt Repayment Orders (DRO)

A DRO provides an alternative for individuals who have some ability to repay debt over time. A DRO involves a structured repayment arrangement supervised by the Official Assignee.[197]

191 New Zealand Insolvency and Trustee Service, "No Asset Procedures" (Ministry of Business, Innovation and Employment, 3 March 2026). Available at <https://www.insolvency.govt.nz/personal-debt/no-asset-procedures/>

192 New Zealand Insolvency and Trustee Service, "How insolvency affects you" (Ministry of Business, Innovation and Employment, 1 September 2025). Available at <https://www.insolvency.govt.nz/personal-debt/how-insolvency-affects-you>

193 New Zealand Insolvency and Trustee Service, n 191. "A NAP usually lasts for one year." "You can only enter into a NAP once — if you've already completed a NAP, bankruptcy is your only other insolvency option."

194 New Zealand Insolvency and Trustee Service, n 191. "A No Asset Procedure (NAP) is the best insolvency option if you owe less than $50,000, have no assets and have no extra money to make repayments towards your debt."

195 New Zealand Insolvency and Trustee Service "Your insolvency options" (Ministry of Business, Innovation and Employment) <https://www.insolvency.govt.nz/assets/pdf/your-insolvency-options.pdf>.

196 Debtfix "Impact of Insolvency" <https://www.debtfix.co.nz/impact-of-insolvency> "If you are a member of a superannuation or Kiwisaver scheme then they are not deemed to be assets under NAP, DRO and Bankruptcy, however if you access the funds during your insolvency, the OA will not accept you into a NAP and will take the funds to pay towards your debts under an DRO or Bankruptcy."

197 New Zealand Insolvency and Trustee Service "Debt Repayment Order (DRO)" (Ministry of Business, Innovation and Employment, 3 March 2026) <https://www.insolvency.govt.nz/personal-debt/debt-repayment-order/> :"A Debt Repayment Order (DRO) gives you extra time to pay back some or all of your debt — usually 3 years..."
"It's a formal debt repayment plan..." "you'll sign up with a DRO Supervisor, who'll work with you, the Official Assignee... and your creditors..."
"A Debt Repayment Order (DRO) is the best insolvency option for you if you owe less than $50,000 in unsecured debt and are able to make some repayments on your debts."

The Insolvency and Trustee Service states that creditors cannot continue to pursue unsecured debts during the order and cannot impose further penalties or interest.[198] Remaining balances are discharged upon successful completion of the order.[199]

KiwiSaver funds remain protected during a DRO provided they remain within the scheme. Debtfix has explained that KiwiSaver savings "are not deemed to be assets under NAP, DRO and Bankruptcy" but warns that if funds are accessed during the insolvency process, the Official Assignee may refuse entry into a NAP or may require those funds to be applied towards debts under a DRO or bankruptcy.[200]

As with a NAP, a DRO does not provide automatic access to KiwiSaver savings. Rather it may serve as evidence that a person has attempted to address their financial difficulties through formal debt-relief mechanisms before seeking access to retirement savings.[201]

c. Bankruptcy

Bankruptcy is generally regarded as the most serious insolvency procedure and is typically described as a last resort for individuals who are unable to repay substantial debts. Bankruptcy usually lasts for three years, although records remain publicly available after discharge.[202]

When an individual is adjudicated bankrupt, most property vests in the Official Assignee for the benefit of creditors. KiwiSaver, however, receives a degree of statutory protection. The Insolvency and Trustee Service states that funds held within a KiwiSaver scheme remain protected unless they are withdrawn during the period of bankruptcy.[203]

Funds that remain within the KiwiSaver scheme on bankruptcy generally remain beyond the reach of creditors.[204]

Consequently, insolvency procedures may in some cases preserve retirement savings more effectively than hardship withdrawals. A debtor may obtain relief from unsecured debt through bankruptcy while retaining their KiwiSaver balance, whereas a hardship withdrawal permanently reduces retirement savings.[205]

The protection afforded to KiwiSaver balances in bankruptcy may create a recovery opportunity for creditors prior to bankruptcy. Where an individual is experiencing significant financial pressure but has not yet been declared bankrupt, creditors may encourage them to seek an early KiwiSaver withdrawal. If the application is approved by the KiwiSaver supervisor, the withdrawn funds become available as cash and may be used to satisfy outstanding debts. In this way, creditors may gain access to funds that would otherwise be unavailable once bankruptcy occurs.[206]

d. Negative consequences of going into an insolvency procedure

The Insolvency and Trustee Service is explicit that any insolvency procedure affects your credit rating, making it harder to obtain credit for major purchases and to find landlords willing to rent.[207]

198 New Zealand Insolvency and Trustee Service "Debt Repayment Order (DRO)", n 197
"You won't be chased for payments by the people you owe and there won't be any additional interest or penalties while you're in the DRO."

199 New Zealand Insolvency and Trustee Service "Debt Repayment Order (DRO)", n 197
"When your DRO is complete, any unpaid debts included in the DRO are wiped…"

200 Debtfix "Impact of Insolvency," n 196.

201 FSC Guidelines, n 36, at [11].
New Zealand Insolvency and Trustee Service "Debt Repayment Order (DRO)", n 197
"When your DRO is complete, any unpaid debts included in the DRO are wiped…"

202 New Zealand Insolvency and Trustee Service "How insolvency affects you" (Ministry of Business, Innovation and Employment, 3 March 2026) <https://www.insolvency.govt.nz/personal-debt/how-insolvency-affects-you>

203 New Zealand Insolvency and Trustee Service "How insolvency affects you", n 202.

204 New Zealand Insolvency and Trustee Service "How insolvency affects you", n 202. See also Keaton Pronk "KiwiSaver and Bankruptcy: A Recovery Option for Creditors Pre-Bankruptcy." (McDonald Vague) <https://www.mvp.co.nz/articles/general/kiwisaver-and-bankruptcy-a-recovery-option-for-creditors-pre-bankruptcy>

205 New Zealand Insolvency and Trustee Service "How bankruptcy works" (Ministry of Business, Innovation and Employment, 01 September 2025) <https://www.insolvency.govt.nz/personal-debt/bankruptcy/how-bankruptcy-works> Bankruptcy is "a last resort if you are facing large debt" and it is "the only formal option for people who owe more than $50,000."
New Zealand Insolvency and Trustee Service "How bankruptcy works" (Ministry of Business, Innovation and Employment, 01 September 2025) <https://www.insolvency.govt.nz/personal-debt/bankruptcy/how-bankruptcy-works> Bankruptcy "usually lasts 3 years" and details "will stay on the Register for 4 years after you have been discharged."
See also New Zealand Insolvency and Trustee Service "How insolvency affects you", n 202.

206 See Keaton Pronk "KiwiSaver and Bankruptcy: A Recovery Option for Creditors Pre-Bankruptcy." (McDonald Vague) <https://www.mvp.co.nz/articles/general/kiwisaver-and-bankruptcy-a-recovery-option-for-creditors-pre-bankruptcy>

207 New Zealand Insolvency and Trustee Service "How insolvency affects you", n 202 "Any insolvency procedure affects your credit rating. This can make it difficult to: find a bank or other money lender who'll give you credit… find landlords who are willing to rent to you."

The Insolvency and Trustee Service also confirms that insolvency outcomes are publicly recorded, noting that persons can search the Insolvency Register to find if a person has been adjudicated bankrupt or admitted to a NAP, and that older records are accessible through the New Zealand Gazette, which provides an ongoing public record of insolvency notices.[208]

The Insolvency and Trustee Service emphasises that bankruptcy (as opposed to NAP or DRO) is a last resort if you are facing large debt and that, while it will clear your unsecured debt, it will also significantly impact your life and limit your access to some services.[209]

It also notes that credit reporting agencies generally keep records of NAP and bankruptcy for a further four years after discharge, and may hold DRO details for up to five years.[210] Bankruptcy guidance also warns that rule breaches can trigger prosecution.[211]

The Insolvency and Trustee Service also provides information on debts that must continue to be paid during a NAP or DRO, including court fines and Criminal Reparation Orders, Child Support and Maintenance Orders, student loans, and secured debts such as car loans or hire purchase.[212]

Financial mentors we spoke to (and also Debtfix) made it clear that all options including insolvency procedures are as a matter of practice considered in the course of their discussions with clients who are considering making a KiwiSaver hardship withdrawal application. A benefit of incorporating a discussion with a mentor as part of the withdrawal application process or having a central hardship application processing hub would be that these options would be explored.

A way of requiring consideration of insolvency options would be for the providers' application forms to have to include a section on insolvency options and requiring an applicant to have to tick a box to indicate it had read and considered these options. However, a KiwiSaver provider we spoke to told us that the bulk of hardship applications they see are not situations where insolvency options might be considered, as applicants are not in that level of debt. This suggests that while insolvency options are useful to explore for some KiwiSaver members, this may not be something that is required for or relevant to all hardship withdrawal applicants.

v. Review of the rules around savings suspensions

A savings suspension enables individuals to take a break from KiwiSaver contributions if they wish to reduce financial pressure.[213] If a member has been contributing to KiwiSaver for at least one year, they are not required to provide a reason for requesting a savings suspension.[214]

However, where the request is made within the first year of membership, evidence of financial hardship must be provided.[215] Once approved, the savings suspension takes effect from the date Inland Revenue approves the request and continues for the specified period.[216]

Given the increase in hardship withdrawals, consideration could be given to whether savings suspensions are being used effectively as an early intervention tool. A savings suspension may assist members experiencing temporary financial pressure by allowing them to pause contributions while preserving their existing KiwiSaver balance.

208 New Zealand Insolvency and Trustee Service "Public notices" (Ministry of Business, Innovation and Employment, 10 March 2026) <https://www.insolvency.govt.nz/public-notices/>: "To find if a person has been adjudicated bankrupt or admitted to the No Asset Procedure, please search the Insolvency Register." "The register includes details of the persons insolvency status… and can be searched by name." "Search the New Zealand Gazette website for older notices."

209 New Zealand Insolvency and Trustee Service "How you become bankrupt" (Ministry of Business, Innovation and Employment, 3 March 2026) <https://www.insolvency.govt.nz/personal-debt/bankruptcy/how-you-become-bankrupt/> "Bankruptcy is a last resort if you are facing large debt. It will clear your unsecured debt, but it will also significantly impact your life and limit your access to some services."

210 New Zealand Insolvency and Trustee Service "How insolvency affects you", n 202.

211 Community Law "When you can't pay your debts: Bankruptcy and other options" <https://communitylaw.org.nz/community-law-manual/test/bankruptcy/>
"it is a criminal offence for a bankrupt person to… break any of the rules of bankruptcy or make false statements to the Official Assignee."

212 New Zealand Insolvency and Trustee Service "How insolvency affects you", n 202. "Debts you must continue to pay: court fines and Criminal Reparation Orders; Child Support and Maintenance Orders; student loans; secured debts such as car loans or hire purchase…"

213 Inland Revenue "Apply for a savings suspension" <https://www.ird.govt.nz/kiwisaver/kiwisaver-individuals/taking-a-savings-suspension>
"If you want a break from making KiwiSaver contributions…"

214 Inland Revenue "Apply for a savings suspension", n 213 "If you've been a contributing member of KiwiSaver for 1 year or more, you do not need to give a reason…

215 Inland Revenue "Apply for a savings suspension", n 213 "If it's an early request, we need evidence of financial hardship."

216 Inland Revenue "Apply for a savings suspension", n 213 "The savings suspension begins on the date we approve your request."

Greater awareness and use of savings suspensions may help some members manage short-term financial difficulties without needing to access their retirement savings through a hardship withdrawal.

Consideration could be given to whether the current savings suspension framework is being utilised effectively as a hardship-prevention measure. This may include examining member awareness of savings suspensions and whether greater use of the mechanism could reduce the need for hardship withdrawals in cases of temporary financial difficulty. One option to explore could be to require employers to continue to contribute to a member's KiwiSaver account while the member has elected a savings suspension for their member contributions. Under current rules the employer may continue contributing but is not required to. Again, introducing an element of financial mentoring expertise as part of the application process could assist here. In addition, thought could be given to allowing more flexibility around suspension rules in the first year of membership (such as no evidence of financial hardship being required).

vi. Review of criteria for access to Work and Income Special Needs Grant

A Work and Income Special Needs Grant is a one-off, non-recoverable payment designed to assist individuals who are unable to meet immediate and essential costs, or emergency expenses, through any other means.[217]

To qualify, applicants must demonstrate that the expense is necessary and urgent, that they have no alternative way to pay, and that they meet residency requirements in New Zealand.[218]

Eligibility is also subject to income and asset thresholds, and Work and Income will assess factors such as whether the cost was foreseeable and whether the individual could reasonably have met the expense themselves.[219] KiwiSaver is not considered an accessible asset when assessing eligibility for a special needs grant.[220]

Grants may be provided for a range of essential and emergency costs, including food, medical treatment, dental care, bedding, and other urgent living expenses.[221] The amount of the grant depends on the applicant's situation and what they need help with. They are generally for one -off purposes where the applicant is unable to pay for that particular expense.

The payment is typically issued via a payment card, which must be used within a specified timeframe.[222] As with the other options discussed above, a financial mentor is likely to consider and discuss this as an option with clients that they see.

One option is to make special needs grants more accessible to those in hardship so that there is less need to apply for a KiwiSaver hardship withdrawal.

217 Work and Income "Special Needs Grant" (Ministry of Social Development, 24 July 2026) <https://www.workandincome.govt.nz/products/a-z-benefits/special-needs-grant.html> "A Special Needs Grant is a one-off payment to help you pay an essential or emergency cost if you can't pay it another way."

218 Work and Income, "Special Needs Grant", n 217. "have a cost you cannot pay for that's either: immediate and essential, or an emergency... have no other way to pay... are a New Zealand citizen... normally live in New Zealand..."

219 Work and Income, "Special Needs Grant", n 217. "It may also depend on: how much you and your partner earn... any money or cash assets..." and "we'll also look at... whether you knew the cost was going to come up..."

220 See Work and Income webpage "Cash Assets" (for what is and is not considered a cash asset) <https://map.workandincome.govt.nz/map/income-support/extra-help/vehicle-modification-funding/cash-assets-01.html>

221 Work and Income, "Special Needs Grant", n 217. "Essential costs could include things like: driver licence... dental treatment... food..."

222 Work and Income, "Special Needs Grant", n 217. "we'll give you a payment card... You have 7 days to spend the money before it expires."

SECTION 5
WHAT STAKEHOLDERS TOLD US ABOUT THE ISSUES

Stakeholder interviews were conducted with representatives from the Retirement Commission and two KiwiSaver providers, a focus group involving financial mentors, and Debtfix, a charity that helps people get out of serious debt. We have also had discussions with FinCap about the issues, options and possible solutions discussed in this report. Several recurring themes emerged from these discussions with stakeholders. Those themes were:

- Levels of hardship withdrawals reflect financial distress rather than shortcomings in the KiwiSaver scheme.
- There was overall a lack of support for making it harder for members to access KiwiSaver savings on the grounds of financial hardship.
- Assisting people with consideration of all their options before a hardship application is submitted is key, as there may be other options that should be explored to assist with a person's financial situation before access to KiwiSaver funds is sought.
- There is a need for more data before changes are considered.
- Mentors are experiencing some frustrations with certain KiwiSaver provider processes.
- There was general support overall for the concept of sidecar savings with some caution advised.

In addition, a specific issue was identified around the Work and Income grants relating to persons aged 65 and over.

i. Levels of hardship withdrawals reflect financial distress rather than shortcomings in KiwiSaver

A recurring theme across the interviews was the view that the increase in hardship withdrawal applications reflects broader financial hardship, rather than problems with the KiwiSaver system itself.

One interviewee from the Retirement Commission noted that while increasing hardship withdrawals are concerning, this is primarily because they indicate financial hardship among members, stating that *"it's a concern that financial hardship is being experienced by people, but its not necessarily a concern for the KiwiSaver system itself."*

Another interviewee from the Retirement Commission observed that: *"It's an indicator that the system is working largely as intended."*

A KiwiSaver provider expressed a similar view, commenting that hardship withdrawals do not indicate that KiwiSaver is failing and that the greater concern was *"how widespread the extent of poverty is."* This provider also highlighted that hardship withdrawals are now occurring at levels *"roughly three times what we had pre-COVID"* and described this as reflecting *"a massive expansion of poverty."* The interviewee reported that many applications arise following job loss, illness, bereavement and mortgage stress, describing applicants as being in *"genuine financial hardship."*

Some comments made to us by mentors about the levels of hardship withdrawals were:

"So it really does mimic the kind of the economic cycle that we've been going through over this time period. It's a concern that financial hardship is being experienced by people, but it's not necessarily a concern for the KiwiSaver system itself."

"At a big aggregate level it's largely working as it should."

"There is concern but that's a reflection more on the economic cycle, what's happening in the economy, rather than with KiwiSaver, per se."

"So we've got to look at what the counterfactual is. Yes, there are people who are withdrawing it, but the vast majority are staying the course and not taking money out of KiwiSaver in a given year."

"If we were too onerous and restrictive about not allowing people to take it out, in times of hardship, you're about to lose your house, you've got medical expenses you can't get away from, then the system would very quickly be seen as being unreasonable."

"Applications generally reflect broader cost-of-living pressures rather than one single cause."

"I don't think we can sit there and go, we should stop people from withdrawing their funds because they'll be poor later but they're poor now. It's not like there are any good choices here. There are consequences of taking the money out. Absolutely. There are consequences in terms of what happens in the future, but there are consequences for the hardship that these people are living through at the moment."

"I think to say that I will deny your dignity today so you can have dignity in the future is not a trade off that I'm willing to make and to be perfectly honest, most of these people, even if we have some future point in time, we have means tested super, these people would access super."

Some concern was expressed around social media influence. One KiwiSaver provider raised concerns that applicants were collaborating and learning "what to say" and viewing KiwiSaver as accessible savings rather than retirement savings.

But another provider told us *"Oh, you know, we've heard people are just taking it up for x, y, z, and cheating the system. We don't see it with our numbers at all. If anything, what we find is cases of very genuine hardship, and these people really do deserve those funds"*.

ii. There was overall a lack of support for making it harder for members to access KiwiSaver savings on the grounds of financial hardship.

Participants in this research generally supported the continued availability of hardship withdrawals for individuals experiencing genuine hardship. They did not support tightening up the rules to make it harder to get a withdrawal on the grounds of financial hardship.

Comments from the Retirement Commission interviewees included:

"We can't have a situation where people just can't feed their kids, or they can't fill up their car to get to work or pay for medical expenses or run the risk of losing their home. Then they have 10s of 1000s of dollars sitting in an account and we say you can't touch it. It doesn't make any sense at all."

"Things happen. You lose your job, you have an earthquake, where you have a flood. We have to have that flexibility in the system."

"We've got to be careful about what the narrative is about this, because people who are getting their funds have ostensibly gone through all and jumped through all those hoops of what else do they qualify for before they access it."

"...to change rules in the middle of an economic downturn, would seem to me that your kind of, you're almost overreacting, potentially, to something that is not necessarily an ongoing problem."

Similarly, one KiwiSaver provider stated that there is *"no point in being poor today so then you might have some money when you are 65 plus"* and suggested that requiring people to remain in hardship in order to preserve retirement savings was not an appropriate outcome.

These are some of the comments made by that provider:

"And the more we tighten up the hardship rules, the fewer low income people will contribute to KiwiSaver. So already, lots of people are missing out. So for every person who gets a hardship withdrawal, maybe four or five who don't have a KiwiSaver and have access to no borrowing or no funds of last resort. so that's not a better outcome. So the counterfactual isn't being in KiwiSaver and taking it out. The counterfactual is not being in KiwiSaver and having nothing."

"A lot of the hardships that we experience at [name of provider] are for really tragic cases. People whose partners have died, who's lost their jobs, lost their businesses, their mortgage is due, they can't pay. So there's some very extreme scenarios where people are accessing this fund. From that perspective, I think if you're going to have hardship rules, then the hardship rules should, in fact, be far more accommodating than they are at the moment."

"We've had things like somebody's car breaks down and they can't get to their work, so this is really urgent. They'll lose their job. They'll lose everything if they're not able to do that, or they've got a problem with their teeth or something, and they're in extreme pain and all that kind of stuff, and they've got no money, so they're all these kinds of cases. And sometimes these things do happen more than once a year."

Another KiwiSaver provider observed that *"some people genuinely need that money now."*

Financial mentors we spoke to were against increasing the threshold for a hardship withdrawal, saying:

"I'm going to say absolutely no." [To tightening up the rules around hardship withdrawals.]

"The reason I say that is because when a hardship application is made, it's generally intended to cover 13 weeks of deficits. If you say that someone can only access KiwiSaver once a year, what do they do for the other 39 weeks of the year if they still have a deficit?"

"This goes back to what others have already said: we don't default to KiwiSaver. We explore all of the other options first."

"Regardless, the standard approach is generally 13 weeks of deficits. If you only allow one withdrawal [per year] you'll leave many people with insolvency as their only remaining option. That would be my view."

"I feel really strongly that we forget every client is different."

"People come to a financial mentor, and we look at them as an individual. We look at their circumstances, their options, and work through those with them."

"It is their money. If you start putting too many restrictions in place, you can create other problems."

Debtfix however told us that if KiwiSaver members were limited to one hardship withdrawal a year that would make people *"think more before they did it"*. Debtfix was also in favour of having a minimum withdrawal amount (of $1000).

iii. Assisting people with consideration of all their options before a hardship application is put in is key, as there may be other options that should be explored to assist with a person's financial situation before access to KiwiSaver funds is sought.

One interviewee from the Retirement Commission noted that: *"The role that the financial mentors play within this space is really important."* She also referred to research suggesting that *"if someone had approached a financial mentor, the chance of them actually then going through the hardship withdrawal process was much reduced."*

The following additional comments came from our interview with the Retirement Commission:

"We had some research that was quoted in our 2019 review of retirement income policies, that if someone had approached a financial mentor, the chance of them actually then going through the hardship withdrawal process was much reduced compared to someone who hadn't gone through that process. So I think there are perhaps gaps in the system which could be addressed if through some kind of process of channelling people into a place where they could get help and then not necessarily make a hardship withdrawal because they know what other options are available."

"This is not cost free thing as well. A person can go to financial mentor, and it doesn't cost them anything. Those financial mentors have to get funding from somewhere. If we put in the system that requires every single person to go through that process, we need to find out how we're going to fund those financial mentors to be able to deal with every application. So in theory, it sounds nice, but in practice, one would have to make sure that you actually know that it's feasible to actually do that."

Financial mentors can also make sure that the client understands the implications of taking funds from their retirement savings.

We heard from the Retirement Commission:

"If you do take money out, it can have quite an impact on your retirement savings. It's going to vary by how far you are away from retirement and what your investment strategy is. But the example that's often given is, if you take out $10,000 for a hardship it would reduce your retirement savings by about $40,000 which, if you've got like a 4% draw down strategy, that is $30 to $40 a month. So it becomes a real cost.

I think we just probably need more messaging that actually, if you are in hardship, you're not on your own, and you've just got to look out for these sources of advice. Don't just get advice from Tiktok or your crazy uncle, seek out some proper advice."

Financial mentors participating in the focus group (these were mentors that regularly see clients seeking assistance with debt as part of the mentoring service that they work for) also emphasised the importance of exploring alternatives before assisting a client to access KiwiSaver. One mentor stated that mentors *"try our best to determine whether a*

whānau genuinely needs to access it and whether there are other options available." Another mentor added that *"we try to find other options first." "Our first priority is to negotiate debts and, where possible, avoid the need for a KiwiSaver hardship withdrawal."*

A different mentor also observed that: *"Nine times out of ten, it doesn't end up resulting in a hardship withdrawal because we help them find another solution."*

As stated in section 4 of this report, Debtfix gave us figures that indicated in the year to March 2026, almost 58% of the people who had their hardship withdrawal applications referred to Debtifx ended up with a different solution (which did not involve money coming out of KiwiSaver).

On the issue of time spent on applications, one mentor said that (if a hardship application was going to be made), typically he would do the hardship withdrawal application for the client. Other mentors agreed this was common practice ie to do the application for the client). This would commonly take 2 – 3 of hours of the mentor's time.

One mentor said:

"Generally, it's at least two appointments of up to an hour and a half each."

Another said:

"I've estimated two to three hours on average."

"The issue is that KiwiSaver providers don't fund financial mentors. How is that fair?"

"We actually save them [the providers] money."

On the issue of exploring insolvency options, one mentor told us:

"I recently had a client come to see me because she wanted to apply for a KiwiSaver hardship withdrawal. We reviewed her situation and explored all of the available options. After several appointments, we ended up putting a debt repayment order in place instead. After looking at all the alternatives, she said to me, "I'm so pleased I didn't touch my KiwiSaver. I thought that was my only option. I told her there are always other possibilities to explore. She felt really positive about keeping her KiwiSaver intact, and we talked about future goals, such as using it to help buy a home when she was back on her feet. It was really a win-win outcome for her."

"More broadly, we explore every available option: restructuring debt, negotiating with lenders, or finding some other accommodation that enables the client to continue making repayments."

"For some clients, and I've heard other financial mentors say the same thing, insolvency may actually be the better long-term option. Otherwise, you're simply going to find yourself coming back time and time again for repeated KiwiSaver hardship withdrawals. You're not going to be in a position to increase your income enough, or reduce your expenses enough, to ever get out of that spiral. In those circumstances, insolvency may be a better option."

In relation to the idea that applicants for a hardship withdrawal could be required to consult with a financial mentor as part of the application process, we had mixed responses. While financial mentors spoken to in the course of the research for this report favoured incorporating a session with a mentor as part of the withdrawal application process, because that would assist the client to consider and test other options, FinCap made us aware that other financial mentors are against people being compelled to see a financial mentor as this can lead to a demoralising and ineffective engagement in what should be a strengths-based practice. FinCap told us:

"There is merit in referring all potential applicants to a financial mentor recognised by FinCap as having completed training as this may provide the applicant with a better understanding of their financial circumstances and all options for addressing any financial concerns. Perhaps providers could be required to refer applicants to a financial mentor if the circumstances suggested that was appropriate (rather than having a requirement that the applicant had seen FM as a hurdle to application)."

On the issue of the "central clearing house" idea, one KiwiSaver provider we interviewed explained that all hardship applicants in their scheme are referred to Debtfix. They explained that applications for hardship withdrawals are referred to Debtfix (who is contracted and paid by the provider under a private arrangement to process hardship applications) and that Debtfix helps ensure the applicant has *"maximise[d] their incomes, reduce[d] their expenditure"* and explored other options before proceeding.

These comments were made by that provider:

"If somebody applies for hardship, we package up all the information and give it to Debtfix. Debtfix manages the entire process for us, because we want to ensure that there is no bias with the advice, the engagement and the assessment

that they have because we are obviously motivated to keep people in KiwiSaver, because that's our job."

"We want to ensure they have access to somebody who's independent of us, who gives them independent advice of what is best for them and what they're eligible for."

This provider was supportive of the 'central clearing house' idea (where all providers would refer hardship applications to a central specialist hub) saying:

"I just don't see how providers can be truly independent in this space. Personally, I don't think it should be done this way. There should be choice, and it would be much better if it were fully industry-funded and delivered through a central clearing house, so everyone receives the same treatment. Having financial mentoring delivered through a centralised system would make sense, similar to how IRD operates as an interface between employers and providers. A comparable model could sit between KiwiSaver providers and the professionals delivering hardship support, ensuring independence from provider incentives."

"A centralised system, potentially government-backed, could ensure a standardised process: if you apply for hardship, you go through the same pathway regardless of your provider. That would create fairness. There's no good reason why someone experiencing hardship should have a different experience depending on which fund they're with."

Debtfix was also interviewed as part of this research.

Debtfix emphasised that they have specialist knowledge of government assistance, debt solutions and local support services that are not necessarily available to KiwiSaver providers or supervisors. Debtfix told us that they currently have contracts with six KiwiSaver providers to process the hardship withdrawal applications that are received by those providers. Debtfix told us that *"providers and supervisors should not be assessing these hardship forms because they don't understand the hardship or the solutions out of hardship."*

Rather, the applications should, in Debtfix's view, be processed by a central hub which has the expertise and systems in place to assess hardship consistently and can ensure that all options are presented to the applicant before an application is made to the relevant supervisor to withdraw KiwiSaver funds. Debtfix would like to be involved in the provision of a central hub to which all KiwiSaver providers had to send hardship withdrawal applications to for processing before the formal application is made to the supervisor. This service would be funded by the KiwiSaver providers. Debtfix's vision is that the work would be done by Debtfix in partnership with financial mentoring organisations. The advantages of such a system would include that providers are saved the staff and other costs associated with processing these applications and each application would be vetted by a someone with the expertise to assess all the options available to the individual applicant (eg Work and Income entitlements, possible debt renegotiation solutions and insolvency options).

Debtfix said KiwiSaver provider staff *"aren't trained to hear these stories. They're not trained to hear all these hardship stories. We're getting all that—that's what we do."*

The central processing hub could stay involved with the application process right up to the point where funds were released to the client. This reflects the process that is operated by Debtfix currently for six KiwiSaver providers (who pay for this service). Debtfix will also check in with the applicant six weeks after receipt of the money to see *"have you used the funds as you should have done, and has it made a difference?"*

Another provider that was interviewed did not as a matter of practice refer hardship withdrawal applicants to Debtfix or to any financial mentoring service. Concern was noted regarding shortage of budget advisors and appointment availability.

On the issue of financial mentoring standards, FinCap told us that there is a programme currently being undertaken to professionalise the financial mentoring workforce in Aotearoa. In 2025, FinCap released the professionalised workforce framework it has developed with mentors, and also Competencies and Standards. This work is now focussed on the development of a professional body (that would set standards and register practitioners) and on training structures. This work is relevant to the discussion around KiwiSaver hardship withdrawals, given the general recognition that involvement by a financial mentor assists with a person potentially using other options instead of a hardship withdrawal, and the advantages of having an element of financial mentoring input into the process (either before an application is made or as part of a central processing hub). The professionalisation programme is currently ongoing.

It should be noted that several financial mentors expressed concerns about the concept of a central processing hub that all financial hardship application would go through. The concerns included that if there was a central processing hub, run by Debtfix or someone else, then the emphasis would be on getting money out of KiwiSaver, members would have their sights set on getting a KiwiSaver withdrawal, and would not be interested in discussing or considering other

options (such as personal insolvency options). By contrast, if a person goes to a financial mentor, then all the options are on the table and there would not be the initial expectation of getting the KiwiSaver money. The incentives on the operator of any such hub would also be important, and should not drive the hub away from considering all other options, which is what a financial mentor would do.

One mentor said – *"For context, more than half of our enquiries are [KiwiSaver] related—assuming other [financial mentoring] Services are similar—would all those enquiries be diverted to a centralised hub? If so, we'd be extremely quiet, and the hub would be overwhelmed. Of those initial KS enquiries, <10% go ahead with the application—that's local [financial mentors] for local people."*

"Local services offer personalised ongoing support for the crisis and beyond. i.e., whakawhanaungatanga (building accessible supportive relationships). There are many valid reasons for a client to access support kanohi ki te kanohi (face-to-face). Centralising support for hardship cases may create distance and barriers to local, ongoing financial support. It may also negatively impact the [financial mentor] sector reputation we work so hard to build. All [financial mentor] Services can support clients in serious financial hardship in the manner that Debtfix outlines—that's our core mahi."

"I read that the providers aren't worried about the portion of withdrawals, saying that when people are poor today, they shouldn't have to wait for their asset to be released. I agree that these types of provider comments support the view that providers aren't trained to hear hardship stories—that's what 'we' do (We being [financial mentors] around the motu). I would say that the younger a person is, the more options they have to correct their crisis and protect their asset—that's the job of the [financial mentor] sector. In retirement, those people will be poorer if they have used [KiwiSaver] as a quick fix (especially repeatedly) and haven't learned crisis management skills along the way. I accept there are cases where a withdrawal is the best option, and those cases often need the funds sooner rather than later. But in my observation, many withdrawals go against the fund's intended purpose."

"A withdrawal request is an opportunity to reach people in crisis. It makes sense to boost the [financial mentor] sector (as a whole) with more support and greater recognition to build financial capability in our communities, kanohi ki te kanohi."

"Please think carefully before supporting centralised organisation with conflicts of interest that will undermine the sector in general. We need more boots on the ground across the motu doing the mahi, kanohi ki te kanohi ki te tahi wāhi e manaaki ana ngā whānau (face to face in an area or place that is welcoming and comfortable to whānau)."

One KiwiSaver Provider's response to the concept of a central processing hub was: *"I imagine stakeholders wouldn't pay for it. This will seem self-serving, but it reads like a pitch for financial mentors to be funded by KS providers. The value for money needs to be established."*

The interviewees from the Retirement Commission suggested that the case for a central clearing house could be tested more critically. *"It is not always clear what problem it is solving or whether simpler approaches could achieve similar outcomes."*

iv. There is a need for more data before changes are considered

Several interviewees noted the importance of getting more data before any decisions about changing the rules around hardship withdrawals were made.

Interviewees from the Retirement Commission commented:

"I think this is one of the areas where we don't necessarily have enough data to understand who, who it is that's accessing these hardship withdrawals, how often they're going back for it, and what they're using it for. So all of those kind of things would allow us to have a richer understanding of what are the other options people could be using."

"So we actually really don't know a lot about, like, who's taking up these hardship withdrawals, if they're doing multiple withdrawals, what they're using the money for. So there's a whole lot of data questions we have. So fortunately, one of the statutory supervisors Public Trust are doing a lot of work in this space, so we should, soon have a little bit more data. So that's good."

As mentioned earlier in this report, the IRD does not collect or make available information on the different grounds on which hardship withdrawals are made, noting that there are seven different ways of establishing significant financial hardship in the KiwiSaver Scheme Rules.

Financial mentors reported that many applications are based on the grounds of inability to meet minimum living

expenses and inability to pay mortgage repayment.

One financial mentor observed that these categories *"almost go together."*

Medical costs were also frequently mentioned. One mentor reported that she was seeing *"more applications coming through for medical costs, particularly dental treatment."* She also noted having assisted with applications relating to funeral expenses.

Vehicle-related applications were discussed by several mentors, particularly where access to a vehicle was necessary for employment or daily living requirements.

The Retirement Commission in its 2025 review discussed the need for more data, stating:[223]

To design effective policies, policymakers need detailed insights into how different groups save, invest and withdraw funds over time. This requires moving beyond high-level aggregates to capture disaggregated data on KiwiSaver contributions, balances and withdrawals, as well as broader measures of household wealth, debt and savings behaviour.

KiwiSaver providers hold rich, disaggregated data that is not currently accessible to policymakers. Encouraging providers to share anonymised data, particularly on balances, hardship withdrawals and withdrawal purposes, would improve transparency and support smarter decision-making.

Supervisors also have an important role as the independent decision-maker for each early withdrawal application. They play a role in supporting consistency between providers and facilitating consistent reporting and data access in this area.

One recommendation made in the 2025 review was:[224]

Recommendation: Work with KiwiSaver providers and supervisors to enrich the regular, anonymised reporting of balances, contributions and withdrawals (including hardship), and improve integration with other administrative data sources. Rationale: Better data is essential for designing effective and fair KiwiSaver policies. Current gaps in information, such as limited access to balance and withdrawal data, make it difficult to assess whether people are saving enough or to identify where support is most needed. Improved data would allow for more targeted and evidence-based decisions.

There appears also to be a particular need for more data to be provided by the providers and supervisors about how they are making their decisions, when a decision is made on the payout amount. The mentors we spoke to wanted more clarity around how debt commitments and arrears factor into the decision on an application. It seems that both arrears of unpaid debt (eg a person missed last month's payment on a car loan) and ongoing debt obligations (eg a person has to pay a certain amount towards the car loan or credit card each month going forward) are relevant to the assessment of how much the supervisor will agree to will pay, but the first threshold to be met is that the member is unable to pay minimum living expenses eg food and rent, and power.

Mentors told us that the amount their clients had received on a hardship application was often more than was asked for. A possible reason put forward for this was that the provider or supervisor has a template of what are reasonable costs for basic living expenses, which it applies, regardless of the budget prepared by the mentor. One mentor expressed concern as their clients have received *"ridiculously high payouts"*.

This concerned mentors because they feared that clients might be pulling out unnecessarily high amounts of retirement savings. It also meant that mentors were to some extent working in the dark when it came to putting applications together, as they did not understand how the decision around the withdrawal amount was made.

v. issues were identified with provider processes

a. Concerns with the forms used

A particular issue that was raised by financial mentors as something that could be improved was consistency between application forms. One mentor noted *"a generic application form would be really helpful for financial mentors."* Some mentors also noted that *"In some cases, there just isn't enough room in the application form to properly explain the situation."*

223 Te Ara Ahunga Ora Retirement Commission Review of Retirement Income Policies 2025, n 1, at 77.
224 At 88.

We were told: *"At the moment, every provider has different forms and different requirements."* It is worth repeating at this point that the process for a hardship withdrawal in practice involves first, an application to the relevant KiwiSaver provider, who then puts in an application to the relevant supervisor once all the information has been collected. Mentors and KiwiSaver scheme members only see the provider's application form.

One mentor noted that whichever provider form was used, there was not enough space for the level of detail about the client's expense that he required so he would have to attach a separate document with the details of the client's expenses and budget.

"Then you might have a client with four different debts. There simply isn't enough room on some application forms to include that information. You end up having to consolidate figures and note that a particular amount is made up of several debts."

The Retirement Commission in its Review of Retirement Income Policies 2025 also noted:[225]

...providers separately adopt processes that require specific formats for withdrawal applications. The withdrawal application rules are clear and applied consistently, but differences between providers' processes and format requirements can create extra work and delays.

Although providers consistently apply the same set of rules, variations in the forms used across providers can create a burden for members and financial advisers, who must ensure the information is presented in the correct format.

The Retirement Commission suggested consistency in the application form as one of its recommendations regarding standardising hardship withdrawal process, saying[226]

First, standardising and optimising hardship withdrawal processes would reduce confusion and delays for people applying for early access to their savings, while continuing to ensure consistent application of withdrawal guidelines. Although providers consistently apply the same set of rules, variations in the forms used across providers can create a burden for members and financial advisers, who must ensure the information is presented in the correct format.

Debtfix commented that the three main supervisors currently have different "generic" amounts that they will allow when calculating the weekly deficit, for example a certain amount for power and a certain amount for car costs (that would be applied regardless of what the applicant's actual costs were). Debtfix suggested that one change that would help is if the supervisors could agree on what the generic amounts allowed for each type of expenditure were.

Debtfix was also in favour of the need for a statutory declaration being removed as it was archaic and given the documents that applicants had to provide, there were other ways to be satisfied that the information provided was true. Currently a statutory declaration is required (stating that all information is complete, true and correct).

b. Inconsistencies between providers

Another issue was that there appeared to be inconsistencies as between providers in terms of how withdrawal applications were dealt with.

These comments were made by a Retirement Commission interviewee:

"We got submissions from financial [mentors] to say it's actually quite a difficult process to interact with, because the way it works is you go to your provider, and then they go to the supervisor, and in the different providers have different processes, so they ask for different information, and they have different forms and stuff like that."

"So if you're a financial [mentor] working across a number of providers, it just becomes quite complicated. We've been talking with officials about maybe simplifying some of that other stuff."

One mentor reported instances where clients had been declined by one provider and subsequently approved for a hardship withdrawal after moving to another provider. A different mentor similarly commented that *"there's no consistency with outcomes either."*

We were told: *"I've had clients not many, but the odd one who have been with one KiwiSaver provider, been turned down, then heard that another provider is easier to deal with, so they've transferred and ended up getting everything they wanted."*

225 At 51 and 89.
226 At 89.

"I'll use my prison clients as an example. They're generally asking for the minimum around $70 a week for 13 weeks for extra food, toiletries, and similar expenses.

Some are getting approved, while others aren't. [Name of provider] for example, seem particularly tough at the moment."

"It's hard to understand why there is such a difference when we've clearly set out exactly what we're asking for."

"It's quite difficult because you have to remember what each provider wants. You think, "Okay, it's this provider, so they'll want this document and that document. Eventually you get to know their requirements, but it is hard."

"It can be too easy with some providers, but with others it's absolutely like you're tearing your hair out trying to get one approved."

Mentors commented that there were inconsistencies in particular when the withdrawal asked for money to buy a car.

"Yeah, the car thing's a pain."

"I mean, I think in some cases it's been quite easy for clients to get vehicles, so it can almost be too easy."

FinCap's Voices 2026 report noted that "We heard from several mentors that they had noticed many clients making KiwiSaver hardship withdrawals to purchase cars. While this may not be the intended purpose of a hardship withdrawal, it highlights the necessity of car ownership."[227]

Another particular issue related to privacy waivers. Mentors were asking for consistent treatment and recognition of the privacy waivers they sent through (privacy waivers are granted by the client and are intended to result in the mentor being copied in on all communications from the provider to the applicant).

"For me, one thing is that they need to pay attention to the privacy waivers we send through."

"For my clients, I'll submit a privacy waiver or, if it's a bank, a banking authority. Sometimes we'll do a statutory declaration confirming that the client has given permission for the provider to speak to me."

"The amount of follow-up I have to do, and the number of times I have to resend documents, is really frustrating."

"More often than not, the decision goes directly to the client. Even when we've submitted a privacy waiver and asked to be included in communications, they'll still send correspondence directly to the client and not copy us in."

"The same thing happens with follow-up questions. We say, "Look, we're working with this client. Can you please include us in the communications?" But often they don't."

c. Lack of information around how the released amount was calculated

Another issue related to lack of information from the provider around how the amount released was calculated.

These were comments made to us by mentors:

"Why are some providers approving significantly more than what's been requested?"

"I'd also like to see better explanations in their decision emails about how they've arrived at the amount they're paying out. A couple of providers do this, but most aren't very good at breaking down what the funds have actually been approved for."

"I'd particularly like to know when they've approved significantly more than we've requested, so that we can understand their reasoning and take that into account in future applications."

"When providers approve very large payouts, it would be helpful to know how they've arrived at those figures so we can understand why they've approved such a significant amount."

"We work really hard to preserve our clients' KiwiSaver balances, so when large withdrawals are approved without explanation, it can feel like it's working against our philosophy and the advice we're giving clients."

"I think what we're all trying to say is that we're trying to preserve KiwiSaver for our clients moving forward."

"They may end up spending money on things that aren't essential."

[227] FinCap "2026 update on income, expenses and debt trends, as well as the need for sustainable funding for financial mentoring and licensing requirements for debt collection", n 8, at 23.

"Again, it's their decision, but what often happens is that 13 weeks later they're back again, despite having received a larger payout than we expected."

"People tend to spend the money that's available to them."

"At the very least, we should receive an outcome email explaining how much the client is receiving and how that decision was made. Then, like any other type of negotiation, we should be able to challenge that decision if necessary."

"We've sat with the client and we know their circumstances. If a provider gives them an extra $2,000 as part of a hardship withdrawal, we should be able to ask, "Can you explain how that is in the best interests of my client?""

"And if the client comes back in 15 weeks' time needing more assistance, then there should be some accountability around those decisions."

d. Particular concerns relating to clients with gambling issues

Mentors noted that particular problems arise in relation to clients with gambling issues.

"I would really like to see something written into the legislation regarding people with gambling issues. I think it's poor practice when a provider can clearly see from a person's bank statements that they have a gambling problem and then proceeds to release a significant lump sum of money to them."

"I think there should be some additional safeguards, either by KiwiSaver providers or within the hardship withdrawal process itself, for people in those circumstances."

One provider we spoke to did comment that they apply discretion on a case by case basis particularly if gambling concerns arise.

e. Concerns with who payments are made to

Several participants expressed concerns to us about the fact that the payment that results from a hardship application is paid to the member.

Financial mentors told us that what sometime happens was the money did not end up being used to pay off debts that were causing the hardship.

One mentor said:

"I've had so many clients come back worse off because they've suddenly received a large sum of money. They're not used to having that sort of money available, and it ends up being spent on other things. As a result, they're no better off than they were before."

However another said:

"At the end of the day, it's the client's money. It needs to be paid to the client, and it should be their choice how they use it."

A KiwiSaver provider told us that direct payment to creditors was seen as beneficial in some situations but administratively difficult if applied universally.

The Retirement Commission is its Review of Retirement Income Policies 2025 report stated:[228]

There are also concerns about how the withdrawn money is used. In some cases, the funds do not resolve the underlying financial problem, and hardship continues. Repeat withdrawals are becoming more common, with many members returning for additional funds after the initial 13-week relief period, sometimes depleting their entire balance.

A particular issue that mentors raised with us was that sometimes the bank associated with the KiwiSaver provider would either suggest or encourage a member to make a hardship withdrawal. It was suggested to us that sometimes the bank takes what was owing to the bank before the money was paid to the member.

Mentors made these comments to us:

"Whether they're banks, finance companies, or other lenders, they are encouraging people to access their KiwiSaver to solve financial problems."

228 Te Ara Ahunga Ora Retirement Commission *Review of Retirement Income Policies 2025*, n 1, at 51.

"I had a client whose words were: 'I have been referred by the bank because I've fallen behind on some of my credit card payments, and they suggested that I come and see you and withdraw my KiwiSaver,' which also happened to be held with the same bank."

"She said to me and I quote "The bank told me that they will probably seek to take the debt repayment first.""

"So they would take it straight from the account when the KiwiSaver money lands in her bank account. It's the same bank. That's been going on for years. There seems to be a definite conflict of interest, doesn't there?"

"If you're in an unarranged overdraft, for example. [name of bank] did this a lot, and [name of bank] started doing it around eight years ago."

"A lot of people have their KiwiSaver with their bank. From the bank's perspective, it's all visible. When they look at a client's overall position their lending, transaction accounts, and KiwiSaver balance they can see the whole picture."

"One could argue that lenders and banks shouldn't have access to information about a person's KiwiSaver balance. There should be a clear separation between those divisions. The KiwiSaver side should be completely separate from the lending side. Instead, some lenders seem to view KiwiSaver as a way out of the problem: If the client can get a KiwiSaver withdrawal, that will help recover the debt."

Debtfix told us that they stay connected with the applicant right up to six weeks after the KiwiSaver funds had been paid out, checking in to see if the funds had been used for the purposes indicated by the applicant that they were needed for. Debtfix was in favour of changing the KiwiSaver rules so that a hardship withdrawal was paid directly to the creditors or others owed money (eg landlord). Debtfix suggested that such a system would "halve the withdrawals". When asked if this would be complex to administer, we were told by Debtfix:

"We have clients that we're paying creditors for every month. We've got a system set up, we've got the accounts in place. We just press a button and it pays them."

Debtfix suggested an alternative solution might be that the rules could provide that if the applicant did not spend the withdrawn amount on the things they said they would, then the next application would get declined.

We were told:

"I know since its inception, when people have been coming to budget services, we'll say, "Oh, did you do a KiwiSaver withdrawal?"

"Oh yeah, did that, got like 10 grand."

"And what? How did you spend that?"

"Oh well, I got a laptop, we went out, went on holiday. It was for this, this, and this.""

One KiwiSaver provider's response to the suggestion that hardship withdrawal applications would reduce if the money was paid directly to creditors was: *"This is not something we are seeing. We see repeat requests because of ongoing job loss etc. Segmenting the different drivers - problem debt vs incidental poverty - is probably useful."*

f. Retirement Commission recommendations around provider processes

These recommendations were made by the Retirement Commission in its 2025 review:[229]

Recommendation: Improve KiwiSaver administrative processes, including standardising and optimising hardship withdrawals, and updating payroll systems to better support employer contributions during parental leave. Rationale: Makes the system easier to use. These changes reduce friction for members and employers, especially those with lower capacity to plan, and help ensure KiwiSaver settings are applied consistently and fairly.

Comment: Improving how KiwiSaver is administered can make the system easier to use and more consistent for both members and employers. This recommendation focuses on two practical changes. First, standardising and optimising hardship withdrawal processes would reduce confusion and delays for people applying for early access to their savings, while continuing to ensure consistent application of withdrawal guidelines. Although providers consistently apply the same set of rules, variations in the forms used across providers can create a burden for members and financial advisers, who must ensure the information is presented in the correct format. [. . .] These changes are especially important for people with lower financial confidence or more complex needs, such as caregivers and those facing financial stress.

229 At 88 and 89.

g. Public Trust Initiative June 2026

In June 2026, the Public Trust, which is the largest of the KiwiSaver supervisors (it is supervisor in relation to 14 of the KiwiSaver schemes), launched an online system aimed at streamlining the process for hardship withdrawal applications.[230] The system replaces manual handling of applications and allows easier reading and categorisation of bank statements. The Public Trust said in the relevant press release: "Members are guided through eligibility criteria and documentation requirements upfront with improved communication, reducing confusion and improving application quality. Members can track the status of their application in real time, reducing uncertainty and anxiety."[231] This new system should introduce some consistency between provider forms (at least in relation to those providers that move to this system).

vi. There was general support overall for the concept of sidecar savings with some caution advised.

Financial mentors were very much in favour of exploring the option of sidecar savings accounts.

These comments were made to us when asked what they thought about the concept of introducing side car savings as a feature of KiwiSaver:

"I love that."

"Yeah, I think that's incredible."

"I think we came up with this idea at the Financial Inclusion Forum in 2017 or 2018. Chris Faafoi, who was the Minister of Commerce and Consumer Affairs at the time, was actually in the room when we discussed it. He thought it was a great idea."

"I keep thinking that part of the problem is that some people don't really believe in KiwiSaver. When we see some of these hardship withdrawals that don't feel quite right, it often comes back to education and understanding what KiwiSaver is actually for. The sidecar idea might help with that as well."

"I think it's great. It's kind of like an insurance policy."

"If people do fall into hardship or face difficult circumstances, they've already set some money aside. They've effectively planned for the possibility that their circumstances might change."

"Having something like a sidecar account is an excellent idea. We just need more education about what KiwiSaver actually is and what it's intended for."

"I think it's a good idea because I believe it's more mana-enhancing. When I say that, I mean it finally gives people the opportunity to have some money available for unforeseen circumstances, while still being treated as individuals on a case-by-case basis, because everybody's life is different. It also allows them to keep something for the future."

"I think at the Financial Inclusion Forum, when this was first discussed, it was described as the "empty bucket syndrome". You would have your normal KiwiSaver account, and then a sidecar savings account. Once the sidecar savings reached, say, $5,000, it would stay at that level, and everything else would flow into KiwiSaver. The idea was that you wouldn't end up with $30,000 or more readily accessible. It was considered that around $5,000 to $10,000 would be enough for emergency situations."

"Now, that's advice that applies to people who are in a much stronger financial position than most of our clients. But the principle is that having some savings available on the side makes a lot of sense."

One KiwiSaver provider stated that [name of scheme] was "very supportive" of sidecar savings and suggested that such arrangements may assist lower-income households to build emergency savings while continuing to save for retirement. This provider said:

"We're very supportive. I mean, we've been talking to the Retirement Commission about this for a long time, and any minister who would listen, for low income households. It makes a hell of a lot more sense to have a sidecar scheme.

230 See Public Trust "Public Trust launches NZ-first 'RegTech' system to fast-track KiwiSaver financial hardship and serious illness withdrawal applications" (media release, 22 June 2026).

231 See Public Trust "Public Trust launches NZ-first 'RegTech' system to fast-track KiwiSaver financial hardship and serious illness withdrawal applications" n 230.

Where for 12 months or 24 months it goes into your side car and then whatever is not used gets tipped into your long term savings.... One would be relatively liquid and other would be illiquid. So the liquid ones would be relatively affordable and available, and the other would be more locked up, and you'd have to go through all the hooha to be able to access it, which is absolutely fine."

Another provider expressed a more cautious view, stating that she did not know *"how beneficial that would be long term."* The concerns included:

- Potential reduction in long-term investment returns
- Reinforcing the mindset that KiwiSaver is accessible spending money
- Lack of clear advantage if the hardship assessment process remains unchanged

An interviewee from the Retirement Commission acknowledged that sidecar savings are *"attractive"* but noted that they may involve *"significant cost"* and reduced retirement savings accumulation. Another Retirement Commission interviewee raised concerns regarding complexity and implementation challenges.

"They're attractive, but they kind of, they do have a kind of significant cost and they can lead to quite a bit of leakage in the system. So the key, the key trick of side cars is to make sure that people have to fill up their KiwiSaver pots first and contribute the minimum default and then the sidecar savings is on top of that, rather than having the side car filled up first and then KiwiSaver, because otherwise you're just going to get quite a lot of leakage.

And once you start putting new things into the system, it makes it more complex, and you have some unintended consequences.

I think the devil will be in the detail in terms of how that would actually work operationally. And I know that work from the various ministries, when they looked at this idea in the past, that it just was too complex and the costs involved in doing that were too high for the benefit that you would get."

Debtfix expressed cautious support for sidecar savings arrangements but emphasised that the design details would be critical.

FinCap pointed out that another benefit of instituting sidecar savings is that with the right settings, it might provide a means for those receiving work and income support to build financial capability around saving for emergencies, without impacting their entitlement for work and income assistance. FinCap told us that financial mentors are regularly frustrated that their clients receiving work and income can't practice saving without being disadvantaged and that this is demoralising and not helpful for building resilience in the community.

A way of introducing a "sidecar" type arrangement that was suggested to us by one financial mentor was to allow a member to only access their own contributions to KiwiSaver (plus interest on those contributions) on hardship grounds but not to have access to the member's employer contributions. In effect, the employer contributions (plus interest on those contributions) would be locked in (or only accessible on another of the early withdrawal grounds). The employee's contributions would in effect be the "sidecar" savings. As an added requirement, the mentor suggested that if the member sought a second hardship withdrawal, they could only do so once their own contributions had built back up to the level of their employer contributions. The mentor said: *"This method by default would be the sidecar scheme and very simple to manage."* Additional benefits contemplated by this mentor would include that for the KiwiSaver providers this would significantly reduce repeat applications.

vii. A specific issue identified around Work and Income Grants

One issue raised with us by financial mentors was the impact of getting access to KiwiSaver at age 65, on a person's eligibility for certain MSD grants. It appears that the system at the moment provides an incentive for a person close to age 65 to withdraw their KiwiSaver money on the grounds of hardship to avoid risking losing access to MSD grants at age 65.

"At the moment, we're trying to preserve people's KiwiSaver balances. However, once private renters turn 65 and gain access to their KiwiSaver, they can no longer qualify for additional support because they suddenly have an asset that exceeds a very low threshold.

For example, they can't access the Accommodation Supplement if they have more than $8,100 in assets, and they can't access Temporary Additional Support if they have more than $1,300 in assets.

As a result, a beneficiary who is 60 years old and has only a small KiwiSaver balance is effectively incentivised to withdraw and spend that money before turning 65."

SECTION 6
A COMPARATIVE LOOK AT APPROACHES TO EARLY WITHDRAWALS FROM SUPERANNUATION ON THE GROUNDS OF FINANCIAL HARDSHIP
(COUNTRIES DISCUSSED - AUSTRALIA, UK, CANADA, USA, SOUTH AFRICA, SINGAPORE, TURKEY, UGANDA)

i. Introduction

As noted in international literature, "the objectives of a well-designed pension system are poverty reduction in old age and income smoothing throughout an individual's lifetime."[232] At the same time, there is "an increasing challenge... balancing genuine needs for some pre-retirement liquidity and providing adequate income post retirement for individuals."[233]

The situation in Australia is discussed in detail below. However given the closeness between these two countries and the extent to which we look to each other for examples of how to regulate in many areas of law, some upfront comments about the comparison between New Zealand and Australia are warranted.

The threshold for hardship withdrawal from Super in Australia is significantly different from New Zealand. For a person below 'preservation age' (generally speaking, age 60), Australian regulation requires meeting an objective test – receipt of government income support for a set period, plus a more subjective test – inability to meet reasonable and immediate family living expenses.[234] New Zealand rules require that the member is suffering or is likely to suffer significant financial hardship, which is overall broader and more flexible.[235]

The scope of expenses is also slightly different. The Australian regulation focuses on inability to meet reasonable and immediate family living expenses.[236] New Zealand rules by contrast define significant financial hardship to include financial difficulties that arise because of a range of circumstances, including inability to meet minimum living expenses, mortgage arrears, medical costs, and disability related costs.[237] In Australia, release on compassionate grounds is a separate basis for release of funds, and includes many of the circumstances that in New Zealand are bundled into "significant financial hardship". Concern has been expressed in Australia about the rise in amounts being released on compassionate grounds.[238] However there is not a recent noticeable rise in withdrawals based on financial hardship in Australia.

These considerations suggest that the comparison with Australian law and figures is not straightforward. They also suggest that the figures for withdrawals from KiwiSaver on the grounds of hardship could usefully be further refined, to show the amounts of withdrawals on the grounds of unmanageable debt-related issues (inability to meet minimum living expenses and inability to meet mortgage repayments) as compared with financial hardship arising from the remaining grounds (cost of modifying a residence to meet special needs arising from a disability, cost of medical treatment for

232 Fiona Stewart, Himanshi Jain and Will Sandbrook, *Early Access to Pension Savings: International Experience and Lessons Learnt* (World Bank Group, 2019) at 3: "the objectives of a well-designed pension system are poverty reduction in old age and income smoothing throughout an individual's lifetime."

233 Fiona Stewart, Himanshi Jain and Will Sandbrook, , n 232, at 3: "an increasing challenge... balancing genuine needs for some pre-retirement liquidity... and providing adequate income post retirement for individuals."

234 Superannuation Industry (Supervision) Regulations 1994 (Cth) reg 6.01(5), requiring that a person has been "in receipt of a qualifying Commonwealth income support payment for a continuous period of 26 weeks" and that "the person is unable to meet reasonable and immediate family living expenses."

235 KiwiSaver Act 2006 sch 1 cl 10, providing that withdrawals may be permitted where the member "is suffering, or is likely to suffer, significant financial hardship."

236 Superannuation Industry (Supervision) Regulations 1994 (Cth) reg 6.01(5), focusing on inability to meet "reasonable and immediate family living expenses."

237 KiwiSaver Act 2006 sch 1 cl 11(1), defining significant financial hardship to include inability to meet "minimum living expenses," mortgage enforcement, "medical treatment," and "modifications to a residence... for a disability."

238 See for example Celina Edmonds, Evan Young and Stephanie Dalzell "Consumer groups, regulator concern as number of Australians accessing super to fix health surges again" (online ed, Australia 16 October 2025).

an illness or injury, the cost of palliative care , the cost of a funeral , and serious illness). In particular, it would be interesting to find out how much of the KiwiSaver withdrawals on the grounds of financial hardship related to costs of medical treatment, as withdrawals based on that particular ground have been rising significantly in Australia.[239] This data is not publicly available in New Zealand. Providers and supervisors will have this data but are not required to make it publicly available.

Looking more broadly, international experience demonstrates that there is no single approach to early access to pension savings.[240] As the World Bank notes, "a 'one-size fits all' approach as far as policies on early access to pension savings are concerned is not appropriate," as outcomes depend heavily on the broader pension environment and access to other forms of support.[241]

The trade-off between poverty avoidance at old age and poverty avoidance at a younger age (by allowing early access to long-term savings) depends critically on the overall pension environment and whether other safety nets or health insurance are available to individuals.[242] Policies on early access also differ depending on whether contributions to the scheme are mandatory or voluntary.[243] The way pension savings are taxed in different jurisdictions and the incentives provided through the tax system vary from country to country, a point that is also important to keep in mind.

International literature identifies a number of distinct mechanisms through which early access to pension savings may occur. These include: permanent withdrawals, which allow access to funds without repayment obligations; loan arrangements, where individuals borrow against their pension savings and are required to repay the amount; and the use of pension savings as collateral to secure external lending. In addition, hybrid models, including "sidecar" arrangements, can combine liquid and illiquid savings components within a single structure to allow limited access to short-term funds while preserving long-term retirement savings.[244]

The following paragraphs adopt this classification system for different approaches to early access withdrawals on the grounds of hardship: restrictive superannuation savings systems (no withdrawals for financial hardship permitted), controlled access superannuation savings systems (limited access allowed in clearly defined cases of financial hardship), flexible access superannuation savings systems (withdrawals of funds allowed in cases of financial hardship with flexible rules around when access to funds will be permitted), hybrid superannuation structures (including where the scheme structure permits contributions to be directed to a separate "sidecar" fund which is able to be accessed in cases of financial hardship), and whole of life savings systems (where savings are directed to different pools, including retirement but also for other expenses such as housing). Examples of each type of system are given in the following paragraphs.

The way superannuation savings are taxed in different countries varies. Taxation implications and taxation systems impact on withdrawal arrangements and superannuation structures generally. We have indicated in the following paragraphs our understanding of the relevant taxation rules at a high level in each of the jurisdictions discussed. We have not gone into detail of taxation arrangements and note that there may be tax incentives (or disincentives) in these jurisdictions that are not noted in the report.

ii. Restrictive Superannuation Savings Systems (UK)

a. United Kingdom

Summary of the position in the UK:

The UK Workplace Pension System does not allow withdrawals from pension savings based on financial hardship. In 2011, following a call for evidence on early access, the UK government dropped a proposal to introduce broader access to pension savings, citing "limited and inconclusive evidence on the positive impact for under-saving groups or significant benefit to individuals facing financial hardship."[245]

239 Celina Edmonds, Evan Young and Stephanie Dalzell, n 238, notes that "The $1.37 billion approved for medical reasons in 2024-25 represents another jump from the just over $1 billion approved in 2023-24, and is close to $1 billion more than the $389 million in 2018-19."

240 Fiona Stewart, Himanshi Jain and Will Sandbrook, n 232, at 5: "This section discusses how different countries have chosen strategies more appropriate to their circumstances."

241 At 5: "a 'one-size fits all' approach as far as policies on early access to pension savings are concerned is not appropriate."

242 At 5: "The trade-off between poverty avoidance at old age and poverty avoidance at a younger age… depends critically on what the overall pension environment is and whether other safety nets / health insurance is available to individuals."

243 At 5: "The policies on 'early access' also differ depending on whether the contributions to the DC scheme are mandatory or voluntary."

244 At 6-7: "The ways in which individuals can use their pension savings for other purposes differs by country. Some of the common methods include: (a) Permanent withdrawal… (b) Loan and repayment… (c) Pensions as collateral… (d) Hybrid savings models… linking liquid savings and pension savings together…"

245 At 4: "In 2011… the UK government dropped a proposal to provide early access to pension saving… citing limited and inconclusive evidence on the positive impact for under-saving groups or significant benefit to individuals facing financial hardship."

Early access is only permitted in narrowly defined circumstances, as pension rules provide that "no payment of pension may be made before the day on which the member reaches normal pension age unless the (a) ill-health condition was met"[246] or in more severe cases, a "serious ill-health lump sum" may be paid where the member is expected to have a significantly reduced life expectancy.[247] Retirement age under the Workplace Pension System is currently 55, and rising to 57 in 2028.[248]

Detail of the position in the UK:

The UK operates a Workplace Pension System and the government also pays a State Pension. The State Pension is a regular payment from the government most people can claim when they reach State Pension age.[249] Not everyone gets the same amount. How much a person gets depends on their National Insurance record.

The Workplace Pension System is similar to KiwiSaver in New Zealand and "Super" in Australia, and is designed to help individuals save for retirement. All employers must provide a workplace pension scheme and make contributions for their employees.[250] [251]

Workplace pension schemes are structured as long-term savings vehicles, where contributions are deducted directly from wages and often supplemented by employer contributions, reinforcing their retirement-focused purpose.[252]

The system is overseen by regulators including the Pensions Regulator (TPR) and the Financial Conduct Authority (FCA), which ensure compliance and protect members.[253]

The UK's Workplace Pension System does not allow withdrawals from pension savings based on financial hardship. Early access is only permitted in narrowly defined circumstances, as pension rules provide that "no payment of pension may be made before the day on which the member reaches normal pension age unless the (a) ill-health condition was met"[254] or in more severe cases, a "serious ill-health lump sum" may be paid where the member is expected to have a significantly reduced life expectancy.[255] Retirement age under the Workplace Pension System is currently 55, and rising to 57 in 2028.[256]

246 Finance Act 2004 (UK), s 165(1): "No payment of pension may be made before the day on which the member reaches normal minimum pension age, unless the ill-health condition was met immediately before the member became entitled to a pension under the pension scheme."

247 Finance Act 2004 (UK), s 166(1): "No lump sum may be paid other than… (b) a serious ill-health lump sum…"

248 Pensions UK "Rising State Pension Age: What you need to know" (press release, 01 April 2026)
"The Normal Minimum Pension Age (the age from which you can normally access your private/workplace pension) rises from 55 to 57 in April 2028."
The State Pension age is currently 66, increasing to 67 for people born on or after 6 April 1961, with the full change in place by 2028. See https://www.caresyncexperts.co.uk/blogs/what-is-the-retirement-age-in-the-uk-2026

249 See Department for Work & Pensions "Your State Pension explained" (6 April 2026) https://www.gov.uk/government/publications/your-new-state-pension-explained/your-state-pension-explained

250 The GOV.UK webpage "Workplace pensions" <https://www.gov.uk/workplace-pensions/print> states that "Your employer must automatically enrol you into a pension scheme and make contributions to your pension if all of the following apply:

- you're classed as a 'worker'
- you're aged between 22 and State Pension age
- you earn at least £10,000 per year
- you usually ('ordinarily') work in the UK (read the detailed guidance if you're not sure)

The amount you and your employer pay towards the pension depends on:

- what type of workplace pension scheme you're in
- whether you've been automatically enrolled in a workplace pension or you've joined one voluntarily ('opted in')

251 The webpage GOV.UK "Workplace Pensions" <https://www.gov.uk/workplace-pensions/print> states:

	The minimum your employer pays	You pay	Total minimum contribution
From April 2019	3%	5%	8%

These amounts could be higher for you or your employer because of your pension scheme rules. They're higher for most defined benefit pension schemes.
Available at https://www.gov.uk/workplace-pensions/print

252 See Citizens Advice, "Workplace pensions" <https://www.citizensadvice.org.uk/debt-and-money/pensions/types-of-pension/workplace-pensions/> "A workplace pension scheme is a way of saving for your retirement through contributions deducted direct from your wages. Your employer may also make contributions to your pension…"

253 See Aries Insight "Regulators of Pensions" <https://www.ariesinsight.co.uk/Insights/pensionregulators.pdf> "There are two main regulators in the world of UK pensions: The Pensions Regulator […] The Financial Conduct Authority"
See also <https://apexinsurancebrokers.co.uk/wiki/workplace-pension/> "The Pensions Regulator (TPR) supervises occupational pension schemes, the FCA regulates personal pension schemes and the firms providing them."

254 Finance Act 2004 (UK), s 165(1): "No payment of pension may be made before the day on which the member reaches normal minimum pension age, unless the ill-health condition was met immediately before the member became entitled to a pension under the pension scheme."

255 Finance Act 2004 (UK), s 166(1): "No lump sum may be paid other than… (b) a serious ill-health lump sum…"

256 Pensions UK "Rising State Pension Age: What you need to know", n 248.

This restriction is reinforced by s 160 and s 164 of the Finance Act 2004, which provide that pension schemes may only make payments that are "authorised", with any other payments treated as unauthorised and subject to tax consequences.[257] Payments that amount to unauthorised payments attract tax of up to 55%.[258] [259]

Outside of these situations, individuals are generally unable to access their pension savings before the normal minimum pension age.[260]

(a) Ill Health Condition Withdrawal

In practice, early access on ill-health grounds requires that the individual is permanently unable to continue working in their current role or any similar employment due to physical or mental health conditions.[261]

(b) Serious Ill Health Lump Sum Withdrawal

Serious ill health lump sum withdrawal is paid only where strict requirements are met, including that "before making the payment the scheme administrator has received written evidence from a registered medical practitioner [...] confirming that the member is expected to live for less than one year".[262]

(c) Number of Withdrawals

Although the UK Workplace Pension System does not permit withdrawals on the basis of financial hardship, once individuals reach the normal minimum pension age, withdrawal activity is significant. Industry data indicates that pension savers who reached the minimum pension age withdrew over £70 billion from their retirement savings in the 2024/25 tax year, representing a substantial increase in the amount of funds accessed.[263] This reflects strong engagement with pension savings once access becomes available at pension age, under flexible withdrawal arrangements.

Withdrawal behaviour also demonstrates a strong preference for flexible access through drawdown (post pension age). Drawdown involves leaving some of your money in the scheme and taking some out, either in regular amounts or as lump sums as and when needed. The number of individuals entering drawdown has increased significantly, with many choosing to access lump sum amounts rather than ongoing income.[264]

(d) Recent Reforms and Policy Concerns

The UK's Normal Minimum Pension Age (NMPA), which is currently 55, will increase to 57 from 6 April 2028.[265] This change reflects a broader policy approach of keeping pension access ages in line with increases in the State Pension age, which is also gradually rising over time.[266]

257 Finance Act 2004 (UK), s 160(1)-(2): "The only payments which a registered pension scheme is authorised to make... are those specified in section 164... 'unauthorised member payment' means... a payment... which is not authorised..."

258 See GOV.UK "Tax when you get a pension" <https://www.gov.uk/tax-on-pension/higher-tax-on-unauthorised-payments>

259 UK Government, Plan your retirement income <https://www.gov.uk/early-retirement-pension/personal-and-workplace-pensions "Some companies offer to help you get money out of your pension before you're 55. This could be an unauthorised payment. If it's unauthorised, you pay up to 55% tax on it."

260 GOV.UK "Early retirement, your pension and benefits" <https://www.gov.uk/early-retirement-pension/personal-and-workplace-pensions>

261 Rachel Jones "Early medical retirement due to ill health – what to do?" (Legal & General21 August 2025) <https://www.legalandgeneral.com/retirement/pensions/guides/early-medical-retirement-due-to-ill-health-what-to-do/> "To retire early because of ill health, you need to be permanently unable to carry on working: In your current job or any other job like it. That can be for physical or mental health reasons, or both. And you should be sure that there isn't anything that can help you go back to work, such as: Treatments or medicines you haven't tried yet Reasonable adjustments your employer can make."

262 HM Revenue & Customs "PTM063400 – Member benefits: lump sums: serious ill-health lump sum" (GOV.UK, 9 June 2026) <https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm063400> "before making the payment the scheme administrator has received written evidence from a registered medical practitioner confirming that the member is expected to live for less than one year."

263 Rachel Vahey "Over £70 billion withdrawn from pensions as drawdown sales jump to almost 350,000" (AJ Bell, 16 September 2025) < https://www.ajbell.co.uk/group/news/over-ps70-billion-withdrawn-pensions-drawdown-sales-jump-almost-350000>
"There was a surge in the amount of pension money accessed in the 2024/25 tax year as it surpassed £70 billion for the first time, a 36% increase on last year, according to new data from the FCA. But the concern is people aren't making decisions based on what's best for them but because they are worried about possible changes to pensions tax incentives from the government. Speculation surrounding the fate of pensions tax-free cash ahead of Chancellor Rachel Reeves' inaugural Budget last October led to an increase in people accessing their cash out of fear they may lose some of it to a change in policy, potentially causing untold damage to their long-term retirement plans. Alongside this, the announcement that unused pensions would be subject to IHT from April 2027 has led many to review their overall estate planning, possibly withdrawing pension money to spend or gift to loved ones."

264 Rachel Vahey, n 263, "The number of people choosing drawdown increased by a staggering 26% last year, perhaps reflecting that more wanted to bank their tax-free cash under the current rules before any possible tax regime changes were introduced. This is borne out by 60% of people entering drawdown choosing to take their cash but no drawdown withdrawals, suggesting most had no immediate need for an income. Equally, many could also be looking for the flexibility to take the right amount of money to suit their needs, finding drawdown the perfect balance between access and investment."

265 Pensions UK "Rising State Pension Age: What you need to know", n 248 "The Normal Minimum Pension Age [...] rises from 55 to 57 in April 2028"

266 Government Actuary's Department "GAD and the State Pension age review" (GOV.UK, 25 July 2025) < https://www.gov.uk/government/news/gad-and-the-state-pension-age-review> "The current State Pension age is 66 years old for both men and women and is currently set to rise to age 67 between 2026 and 2028, and to age 68 between 2044 and 2046.

Recent reforms enacted under the Pension Schemes Act 2026 also show a shift in focus toward improving how the pension system operates through consolidation.[267]

A key reform which will be imposed under this Act is the consolidation of small pension pots to address inefficiencies caused by individuals having multiple small accounts.[268] Under the Act, small, inactive pension pots (under £1,000) will be automatically transferred into authorised schemes.[269] This is intended to simplify retirement savings and improve outcomes for members.[270]

Overall, these reforms focus on improving the structure and efficiency of pension savings.[271]

The Pension Schemes Act 2026 also introduces additional measures to improve outcomes for members, including requirements to assess value for money and provide better support when individuals begin drawing down their pension on reaching pension age.[272] There is also an increasing emphasis on providing better support to consumers when making pension decisions, particularly at key stages such as retirement, where individuals must decide how to use their pension savings.[273] The UK system has also introduced safeguards to protect individuals when accessing or transferring pension savings. For example, individuals may be required to obtain independent financial advice before transferring certain types of pension benefits, particularly where guarantees are being given up.[274]

In terms of taxation, the UK superannuation regime operates on an Exempt-Exempt-Taxed (EET) structure. Contributions are made from pre-tax income, investments grow tax-free, and payouts during retirement are subject to income tax.[275]

iii. Controlled Access Superannuation Savings Systems (Australia and Canada)

a. Australia

Overview of the Australian regime

The Australian retirement income system is made of three pillars:[276]

1. The Government Age Pension (a publicly funded safety-net that supports basic living standards for Australians who qualify);
2. Individuals' personal savings and assets; and
3. The savings scheme known as "super" (referred to in this section as 'Super').

Super is a retirement savings system similar to KiwiSaver. It was introduced to help individuals save for retirement, but it was not always compulsory.[277]

In the 1970s, only around 32% of workers had superannuation, and the benefits were limited. For example, superannuation did not move with workers when they changed jobs.[278]

267 Dentons "Inside the Pension Schemes Act 2026" (22 May 2026) <https://www.dentons.com/en/insights/articles/2026/may/22/inside-the-pension-schemes-act-2026>
"The Act is intended to accelerate consolidation, improve member outcomes and reshape long-term investment strategy" Available at: <https://www.dentons.com/en/insights/articles/2026/may/22/inside-the-pension-schemes-act-2026>

268 Dentons, n 267 "Legislation function: [...] Framework for automatic consolidation of small, dormant (up to £1,000 with no activity for at least 12 months) DC pots into authorised consolidators"

269 Dentons, n 267 "Legislation function: [...] Framework for automatic consolidation of small, dormant (up to £1,000 with no activity for at least 12 months) DC pots into authorised consolidators"

270 Dentons "The Pension Schemes Bill 2025: key features and webinar insights" (24 June 2025) <https://www.dentons.com/en/insights/articles/2025/june/24/the-pension-schemes-bill-2025-key-features-and-webinar-insights> "this approach promises to reduce administrative costs, enhance investment opportunities and simplify retirement planning as members will have fewer pots to manage."

271 Dentons, n 267 "[T]he Act is intended to accelerate consolidation, improve member outcomes and reshape long-term investment strategy."

272 Dentons, n 267 "The Act also introduces a value for money (VfM) framework for DC schemes."

273 Financial Conduct Authority, Regulatory Priorities: Pensions (March 2026) at 4. "We want firms to help consumers make informed decisions, particularly at key stages in the pensions journey."

274 Pension Schemes Act 2015 (UK) Explanatory Notes: "trustees or managers... [must] check that members have taken appropriate independent advice before transferring... safeguarded benefits."

275 See HM Revenue & Customs "PTM024100 - General principles: overview of pensions taxation: the basics" (GOV.UK, 24 April 2026) < https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm024100>.

276 Misha Schubert, "A recent history of super in Australia: When did it start, evolution and future" (Super Members Council, 15 April 2026) < https://smcaustralia.com/superannuation-basics-and-history/>

277 Schubert, n 276.

278 Schubert, n 276.

In 1983, the Hawke Labour Government reached an agreement with the Australian Council of Trade Unions to expand superannuation so that all workers could benefit. This was formalised in 1992 with the introduction of a compulsory system under the Superannuation Guarantee (Administration) Act 1992, which required employers to contribute a minimum of 3% of wages to employees' superannuation accounts, in the scheme known as Super.[279]

Since then, coverage has increased significantly, with over 90% of workers now having superannuation.[280] Employer contribution rates have also increased over time, reaching a minimum of 12% as of 1 July 2025.[281]

Super is based on three key principles:[282]

1. Universality – most workers are covered.
2. Preservation – funds are generally kept until retirement.
3. Compulsion – employers must make contributions.

The system also includes features such as tax concessions, default funds, and standardised MySuper products to ensure accessibility and consistent outcomes for members.[283]

Super is preserved until retirement. A person can usually access their Super when they:[284]

- Reach age 60 and retire; or
- Reach age 65 (regardless of employment status).

Early access to superannuation savings in Australia has been described as "rare" and, where permitted, "highly restricted" and limited to defined circumstances such as severe financial hardship or specified compassionate grounds.[285] Early access to superannuation savings is permitted only in limited circumstances, including on compassionate grounds (such as medical treatment, disability-related modifications, palliative care, funeral expenses, or preventing home foreclosure) and for severe financial hardship (as defined in the Superannuation Industry (Supervision) Regulations 1994 (Cth) reg 6.01(5)).[286]

For members below 'preservation age', eligibility for withdrawal on the grounds of financial hardship requires receipt of government income support for at least 26 weeks and an inability to meet immediate living expenses, with withdrawals limited to $1,000–$10,000 and only one permitted per year. For those at or above 'preservation age', eligibility requires receipt of income support for at least 39 weeks and not being employed, with no minimum or maximum withdrawal limit. Applications are made to the member's super fund and must be supported by evidence from a Commonwealth agency.[287]

Detail of the Australian regime

Early withdrawal from Super is allowed on compassionate grounds, such as:[288]

- Medical treatment or transport.
- Disability-related home or vehicle modifications.
- Palliative care.
- Funeral expenses.
- Preventing foreclosure of a home.

279 Schubert, n 276.

280 Schubert, n 276.

281 Schubert, n 276.

282 Schubert, n 276.

283 Schubert, n 276.

284 Australian Taxation Office "Accessing your super to retire" (5 June 2026) <https://www.ato.gov.au/individuals-and-families/jobs-and-employment-types/working-as-an-employee/leaving-the-workforce/accessing-your-super-to-retire>

285 Fiona Stewart, Himanshi Jain and Will Sandbrook, n 232 at 5: "Access to mandatory pension savings is rare and, when allowed, is highly restricted… The systems in Canada and Australia allow controlled access in clearly defined cases… severe financial hardship… [and] disability or terminal illness…"

286 See the Superannuation Industry (Supervision) Regulations 1994 (Cth), regs 6.01 (5), 6.19A, and Schedule 1.

287 Superannuation Industry (Supervision) Regulations 1994 (Cth) reg 6.01(5) provides that early access on hardship grounds is only available where strict conditions are met, including that "the person has received Commonwealth income support payments for a continuous period of 26 weeks… and… is unable to meet reasonable and immediate family living expenses". See also <www.ato.gov.au> 'Access due to severe financial hardship' at <https://www.ato.gov.au/individuals-and-families/super-for-individuals-and-families/super/withdrawing-and-using-your-super/early-access-to-super/access-due-to-severe-financial-hardship>. A person's preservation age varies from 55-60, depending on when they were born: see <https://www.ato.gov.au/individuals-and-families/super-for-individuals-and-families/super/withdrawing-and-using-your-super/super-withdrawal-options#Preservationage>. If a person reaches their preservation age but does not retire, then they would possibly apply for severe financial hardship access as automatic access to super is only available after turning 65.

288 See Australian Taxation Office "Accessing your super to retire", n 284.

Applications for withdrawal on compassionate grounds are made to and decided by the Australian Taxation Office.

Super can also be accessed early on the grounds of severe financial hardship. The detailed rules are set out in the Superannuation Industry (Supervision) Regulations 1994 (Cth).[289] "Severe financial hardship" is defined in the regulations as:[290]

EITHER -

the trustee of the relevant scheme is satisfied, based on written evidence provided by at least one Commonwealth department or agency responsible for administering a class of Commonwealth income support payments, that:

(A) the person has received Commonwealth income support payments for a continuous period of 26 weeks; and

(B) the person was in receipt of payments of that kind on the date of the written evidence; and

(in either case) that the person is unable to meet reasonable and immediate family living expenses;

OR

the person has reached the age that is the person's preservation age (between 55 and 60 years of age)[291] plus 39 weeks and the trustee of a superannuation entity is satisfied of both of the following matters

(A) based on written evidence provided by at least one Commonwealth department or agency responsible for administering a class of Commonwealth income support payments--that the person received Commonwealth income support payments for a cumulative period of 39 weeks after the person reached the person's preservation age; and

(B) that the person was not gainfully employed on a full - time, or part - time, basis on the date of the application for cashing of his or her preserved benefits, or restricted non - preserved benefits, in the entity.

In summary:

(a) For members under 'preservation age', for access on severe financial hardship grounds, a member must:

- Have received eligible government income support for at least 26 continuous weeks; and
- Be unable to meet reasonable and immediate family living expenses.

If approved:[292]

- Withdrawal is limited to between $1,000 and $10,000.
- Only one lump sum withdrawal is allowed in a 12-month period.

(b) For a member at or above 'preservation age', for access on severe financial hardship grounds, a member must:[293]

i. Have reached preservation age plus 39 weeks;
ii. Have received income support for at least 39 weeks since reaching preservation age; and
iii. Not be working (full or part time) at the time of application.

If approved:[294]

- There is no minimum or maximum withdrawal limit.

289 Superannuation Industry (Supervision) Regulations 1994 (Cth) Schedule 1 sets out the conditions of release of benefits. "Severe financial hardship" is a condition of release of benefits. There are restrictions on the amount that can be taken out, as follows:
For a person taken to be in severe financial hardship under paragraph 6.01(5)(a) (of the Superannuation Industry (Supervision) Regulations 1994) --in each 12 month period (beginning on the date of first payment), a single lump sum not less than $1,000 (except if the amount of the person's preserved benefits and restricted non - preserved benefits is less than that amount) and not more than $10,000. For a person taken to be in severe financial hardship under paragraph 6.01(5)(b)--Nil.

290 Superannuation Industry (Supervision) Regulations 1994 (Cth), reg 6.01(5).

291 Regulation 6.01, definition of "preservation age"
"Preservation age" means:
(a) for a person born before 1 July 1960--55 years; or
(b) for a person born during the year 1 July 1960 to 30 June 1961--56 years; or
(c) for a person born during the year 1 July 1961 to 30 June 1962--57 years; or
(d) for a person born during the year 1 July 1962 to 30 June 1963--58 years; or
(e) for a person born during the year 1 July 1963 to 30 June 1964--59 years; or
(f) for a person born after 30 June 1964--60 years.

292 Schedule 1 item 105 col 3.

293 Regulation 6.01(5)(b) provides that a person satisfies severe financial hardship where they have reached "the person's preservation age plus 39 weeks" and have "received Commonwealth income support payments for a cumulative period of 39 weeks after the person reached the person's preservation age", and are "not gainfully employed on a full-time, or part-time, basis on the date of the application".

294 Schedule 1 item 105 col 3.

Evidence from a Commonwealth agency is required, and applications are made to the member's Super fund, which determines eligibility. Applications for withdrawals on the grounds of severe financial hardship are made to and decided by the trustee of the superannuation scheme.[295]

Numbers of Hardship Withdrawals and Policy Concerns

Official reviews show that early access to Super is intended to be a last resort, with a strong emphasis on preservation for retirement. An Australian Treasury consultation paper (published 2017) on early release states that the severe financial hardship test is deliberately strict and objective, requiring prolonged reliance on income support and an inability to meet basic living expenses.[296] Treasury data in that paper (published in 2017) indicated that hardship withdrawals were significant, with approximately $550 million released in 2015-16, representing around 2% of all benefit payments.[297] A 2018 Australian Treasury consultation paper (which set out the findings from the 2017 consultation) recommended that the definition of severe financial hardship be loosened in the following way:[298]

- The rule requiring receipt of income support payments for 26 continuous weeks should be relaxed by extending eligibility to individuals who have received income support payments for a cumulative period of 26 weeks out of 40 weeks.

It was also recommended that:

- eligibility should continue to be not based solely on receipt of Commonwealth income support payments but also on inability to meet reasonable living expenses. However, this should be determined under a single set of guidelines, including consistent evidentiary requirements, administered by the Australian Taxation Office (ATO), and
- the amount of superannuation that eligible individuals can access should be reduced from a maximum of $10,000 in a 12-month period to a maximum of $10,000 in a 24-month period. In addition, this cap should apply on an individual rather than on a per fund basis (as it is working in practice). This means individuals would no longer be able to access more than $10,000 by rolling-over superannuation into multiple accounts. However, individuals should (said the report) be able to apply more often for multiple smaller amounts up to the maximum $10,000 cap, rather than being allowed to make only one application every 12 months per fund. Further, responsibility for determining eligibility for early release on grounds of financial hardship should shift from trustees to the Australian Taxation Office.

It does not appear that any of these recommendations have been adopted.[299]

During the COVID-19 'early release scheme',[300] around 3 million Australians withdrew nearly $38 billion from Super. APRA reported that approximately 163,000 accounts were fully depleted, demonstrating the long-term impact of early access on retirement.[301]

The Australian Taxation Office releases data on the numbers and amounts of early withdrawals on compassionate grounds but not on withdrawals on the grounds of severe financial hardship.

The following figures were obtained from a 2024 publication of Chartered Accountants Australia and New Zealand, of amounts paid out from Super (in $ millions):[302]

295 Regulation 6.01(5) requires that eligibility be assessed by the trustee "based on written evidence provided by at least one Commonwealth department or agency responsible for administering a class of Commonwealth income support payments", and that "the trustee of a superannuation entity is satisfied" the criteria are met.

296 The Treasury (Australia) *Early release of superannuation benefits under compassionate and financial hardship grounds and for victims of crime compensation* (December 2017) at 6: stating under "Principles Underpinning Early Release" that "Early release of superannuation benefits should generally be a last resort where other sources of financial support have been exhausted" and at 13 under Part 2 that "The test for 'severe financial hardship' is contained in SIS Regulation 6.01(5). This rule is deliberately strict and objective", and that it "ensures that early access to superannuation is available only as a last resort if the income support system ... has proved insufficient."

297 At 14, under "Data on benefits released on the severe financial hardship grounds", stating that "in 2015-16 around $550 million in superannuation benefits from entities with more than four members was released on financial hardship grounds. This represents around 2 per cent of all benefits released by entities with more than four members in the 2015-16 financial year."

298 The Treasury (Australia) Review of Early Release of Superannuation Benefits (November 2018) at 29.

299 Australian Taxation Office "Access due to severe financial hardship" (8 July 2026) <https://www.ato.gov.au/individuals-and-families/super-for-individuals-and-families/super/withdrawing-and-using-your-super/early-access-to-super/access-due-to-severe-financial-hardship>.

300 Legislation passed in 2020 enabled some employees to apply for early release of funds from the Super allowing eligible employees to submit two applications for up to $10,000 each from their superannuation fund, one application in the 2019–20 financial year and one in the 2020–21 financial year. A total of $39.2 billion of superannuation funds was requested for early release. $37.8 billion of superannuation funds were released under these provisions. See Ross Clare, The COVID related early release of superannuation – a retrospective look (Association of Superannuation Funds of Australia Limited (ASFA) August 2022.

301 At 15, stating that "approximately 163,000 accounts were fully depleted by ERS payments and closed in the June and September quarters."

302 Chartered Accountants ANZ "CA ANZ response to ATO Illegal Early Release Estimate Announcement – Part 2" (press release, 21 February 2024).

Financial year	18/19	19/20	20/21	21/22	22/23
Compassionate Grounds	480	17,130	16,534	578	845
Severe Financial Hardship	665	826	658	590	604
All permitted superannuation payment rukes other retirement or preservation related – inc death, TPD etc	18,783	38,792	36,989	20,706	26,175

Source APRA Annual Superannuation Bulletin – superannuation entities June 2015 to June 2023

These figures suggest that payments out on the grounds of severe financial hardship are not increasing year by year. However payments out on compassionate grounds have fluctuated and overall have increased significantly.

Recent Reforms and Regulatory Responses

In November 2024, the Australian Federal Parliament passed legislation defining the objective of superannuation as being "to preserve savings to deliver income for a dignified retirement, alongside government support, in an equitable and sustainable way."[303]

Further recent reforms include the introduction of Payday Super, which will require employer contributions to be paid at the same time as wages from 1 July 2026.[304] In addition, new service standards have been introduced for APRA-regulated super funds to improve member outcomes.[305]

Another relevant issue that has been raised by the Australian Law Reform Commission is whether victims of family violence should be able to gain early access to their superannuation more easily – in order, for example, to give financial assistance to leave an abusive relationship or soon after leaving such a relationship.[306]

The inflexibility of the 26-week test has been criticised generally, and in relation to victims of family violence specifically. A general concern is that it may be difficult to demonstrate continuous receipt of government payments for 26 weeks, as such payments may be stopped or suspended for a range of reasons.[307]

Victims of family violence, who were not previously eligible for social security payments due to income or assets tests, may only be eligible to receive them once they are no longer pooled. Accordingly, victims may have to wait at least 26 weeks to become eligible for early access to superannuation. This may be the period when they are suffering the most severe financial hardship.[308]

In 2002, the Senate Select Committee on Superannuation and Financial Services recommended that the Australian Government consider extending the criteria that govern early access to superannuation. It expressed it's opinion that there was merit in the suggestion of increasing the flexibility of the current 26 weeks' receipt of income support payments to income 26 out of a possible 40 weeks.[309]

However, the Committee went on to state that, "while early access under certain circumstances should be permitted, it should not be made too easy because of the danger of eroding retirement incomes. This could also have particular impact in reducing women's retirement incomes, which are already significantly lower than those of men."[310]

Hardship Withdrawals Comparison Australia to New Zealand

The threshold for hardship withdrawals in Australia differs from New Zealand. For members below preservation age (generally age 60), Australian regulation requires meeting an objective test – receipt of government income support for

303 Superannuation (Objective) Act 2024 (Cth) s 5, defining the objective of superannuation as "to preserve savings to deliver income for a dignified retirement, alongside government support, in an equitable and sustainable way".

304 Fair Work Ombudsman "Payday Super: New rules starting 1 July 2026" (10 December 2025) <https://www.fairwork.gov.au/newsroom/news/payday-super-new-rules-starting-1-july-2026> stating that "from 1 July 2026, employers need to pay superannuation contributions at the same time they pay their employees' wages,".

305 Stephen Jones and Jim Chalmers "Mandatory service standards for the superannuation industry" (media release, 28 January 2025).

306 Australian Law Reform Commission, "Gaining early access to superannuation" (22 February 2011) <https://www.alrc.gov.au/publication/family-violence-and-commonwealth-laws-employment-and-superannuation-law-ip-36/employment-disclosure-and-privacy/>

307 At [185].

308 At [185].

309 Senate Select Committee on Superannuation and Financial Services *Early Access To Superannuation Benefits* (The Parliament of the Commonwealth of Australia, January 2002) at [4.36].

310 At 7.

a set period, plus a more subjective test, namely inability to meet reasonable and immediate family living expenses.[311] New Zealand rules require that the member is suffering or is likely to suffer significant financial hardship, which is overall broader and more flexible.[312]

The scope of expenses is also slightly different. The Australia regulation focuses on inability to meet reasonable and immediate family living expenses.[313] New Zealand rules by contrast define significant financial hardship to include financial difficulties that arise because of a range of circumstances, including inability to meet minimum living expenses, mortgage arrears, medical costs, and disability related costs.[314] In Australia, release on compassionate grounds is a separate basis for release of funds, and includes many of the circumstances that in New Zealand are bundled into "significant financial hardship". Concern has been expressed in Australia about the rise in amounts being released on compassionate grounds.[315]

New Zealand also has the ACC scheme, which provides no-fault coverage for accident-related injuries, including treatment and rehabilitation costs.[316] The Accident Compensation Corporation spends around $1.4 billion per year on rehabilitation, treatment, and weekly compensation. This is largely funded by the collection of levies from employers.[317] As a result, ACC may reduce the need for KiwiSaver hardship withdrawals to meet medical treatment costs.

Despite this, stakeholder feedback obtained for this research suggests that hardship withdrawals are still being used to meet some health-related expenses. One financial mentor we spoke to observed that: *"I'm seeing more applications coming through for medical costs, particularly dental treatment."*

Another mentor described assisting a client who wished to use their KiwiSaver savings to pay an insurance excess following an accident. Instead, she helped the client obtain a no-interest loan, noting that the client had insurance cover available but lacked the funds required to pay the excess and access that cover.

By comparison, Australia does not have a universal no-fault accident compensation scheme equivalent to ACC. Instead, compensation for accident-related injuries is primarily provided through state and territory-based statutory schemes, including workers' compensation for workplace injuries and compulsory third-party (CTP) schemes for road accidents.

As a result, Australians may face greater out-of-pocket costs following injury, potentially increasing reliance on alternative sources of funding, including retirement savings, to meet medical expenses.

In terms of taxation, Australia's superannuation system operates on a low-tax, concessionary basis to encourage retirement savings, utilizing a three-stage tax model: contributions are taxed at a concessional 15%, fund investment earnings are capped at a maximum 15%, and withdrawals are generally completely tax-free once an individual reaches age 60.[318]

b. Canada

Overview of the Canadian superannuation regime

Canada's retirement income system is made of three pillars:[319]

1. Public support through benefits based on age and years of residence in Canada: the Old Age Security Pension, Guaranteed Income Supplement, the Allowance and the Age Credit. These are funded largely through general tax revenues.

311 Superannuation Industry (Supervision) Regulations 1994 (Cth) reg 6.01(5), requiring that a person has been "in receipt of a qualifying Commonwealth income support payment for a continuous period of 26 weeks" and that "the person is unable to meet reasonable and immediate family living expenses."

312 KiwiSaver Act 2006 sch 1 cl 10, providing that withdrawals may be permitted where the member "is suffering, or is likely to suffer, significant financial hardship."

313 Superannuation Industry (Supervision) Regulations 1994 (Cth), reg 6.01(5), focusing on inability to meet "reasonable and immediate family living expenses,".

314 KiwiSaver Act 2006 sch 1 cl 11(1), defining significant financial hardship to include inability to meet minimum living expenses, mortgage enforcement, medical treatment, and modifications to a residence for a disability.

315 See for example Celina Edmonds, Evan Young and Stephanie Dalzell, n 238.

316 Community Law 'Overview of the ACC scheme' available at <https://communitylaw.org.nz/community-law-manual/chapter-19-accident-compensation-acc/overview-of-the-acc-scheme/>

317 ACC 'Injuries in New Zealand Report shines light on risk and prevention' (19 June 2025) available at https://www.acc.co.nz/newsroom/stories/injuries-in-new-zealand-report-shines-light-on-risk-and-prevention states that "In 2024 [...] it cost nearly $7 billion to help people to recover from [their] injuries and maintain some form of income (weekly compensation). A total of $4.4 billion of these costs went to rehabilitation expenses."

318 AustralianSuper "How is super taxed' at: <https://www.australiansuper.com/superannuation/how-is-super-taxed>

319 Matthew Blackshaw and Elizabeth Cahill *Canada's Retirement Income System* (Library of Parliament, 2019-40-e, 31 May 2024) at 1.

2. Mandatory public pension schemes: the Canada Pension Plan and, in Quebec, the Quebec Pension Plan. These are funded by mandatory contributions from workers and employers and investments from these contributions.
3. Private workplace registered pension plans and private savings. These are voluntary to employers and/or individuals but are supported by the government through tax incentives.

In Canada, early access to pension savings is permitted only in limited circumstances and forms part of a controlled access model.[320] Under the Pension Benefits Act framework, individuals may withdraw funds held in locked-in retirement accounts on four specified grounds of financial hardship, including "medical expenses, arrears of rent or debt secured on a principal residence (such as a mortgage), first and last months' rent, and low expected income."[321]

Access is further constrained by procedural limits, including that funds may be accessed "once a year, in any given category," and only where prescribed eligibility criteria are satisfied.[322] "Payment... is paid in a lump sum" and "your funds will no longer be protected from creditors."[323]

Pension savings are generally "locked in and can only provide... income when you retire," with early access typically occurring only through regulated unlocking mechanisms.[324]

Detail of Canadian superannuation regime

The Canadian retirement income system is built on three pillars: public income support programs, contributory pension plans, and private retirement savings. The first pillar includes Old Age Security (OAS) and the Guaranteed Income Supplement (GIS), while the second pillar consists of the Canada Pension Plan (CPP) and the Quebec Pension Plan (QPP). The third pillar is made up of private savings and workplace retirement arrangements. The CPP and QPP provide income replacement in retirement, disability, and death, and are funded through mandatory contributions from employees, employers, and self-employed persons together with investment earnings.[325]

The Canadian retirement system is governed by a combination of federal and provincial legislation. The CPP is established under the Canada Pension Plan Act, while the QPP is administered under Quebec's separate legislative framework.[326] Employer-sponsored pension plans are regulated under either federal or provincial pension standards legislation depending on the employer's jurisdiction. For example, in Ontario, pension plans are governed by the Pension Benefits Act (Ontario) and its associated regulations, while federally regulated pension plans are governed by the Pension Benefits Standards Act, 1985.[327] Although regulatory requirements vary between jurisdictions, Canadian pension policy generally follows a "locked-in" model designed to preserve retirement savings until retirement age.[328]

Unlike some jurisdictions that permit broad pre-retirement access to pension savings, Canada generally restricts access to pension assets before retirement. Pension benefits under the CPP and QPP cannot be withdrawn as lump sums before eligibility and instead provide benefits only upon the occurrence of specified contingencies such as retirement, disability, or death.[329] Similarly, assets accumulated in registered pension plans are typically transferred to locked-in retirement vehicles, such as Locked-In Retirement Accounts (LIRAs) or Life Income Funds (LIFs), where they remain preserved for retirement purposes.[330]

320 Fiona Stewart, Himanshi Jain and Will Sandbrook, n 232 at 5.

321 Financial Services Regulatory Authority of Ontario "Withdrawing from Locked-in Accounts because of Financial Hardship" <https://www.fsrao.ca/consumers/pensions/events-may-affect-your-pension/withdrawing-locked-accounts-because-financial-hardship> "The Pension Benefits Act sets out four categories of financial hardship... medical expenses, arrears of rent or debt secured on a principal residence... first and last months' rent, and low expected income."

322 Financial Services Regulatory Authority of Ontario, n 321 "You can access funds... once a year, in any given category... based upon specific criteria."

323 Financial Services Regulatory Authority of Ontario, n 321 "Payment... is paid in a lump sum... [and] your funds will no longer be protected from creditors."

324 Canada Life, "Registered pension plan (RPP) withdrawal rules" (15 May 2023): "They're locked in and can only provide you with income when you retire... you may be able to withdraw funds due to financial hardship once they've been transferred to a locked-in RRSP, locked-in RRIF, LIRA or LIF."

325 Government of Canada "Canada Pension Plan" < https://www.canada.ca/en/employment-social-development/programs/pension-plan.html> "The Canada Pension Plan (CPP) is a social insurance plan that is funded by the contributions of employees, employers and self-employed people as well as the revenue earned on CPP investments. The CPP covers virtually all employed and self-employed people in Canada, excluding Quebec, which operates its own comprehensive plan, the Quebec Pension Plan. The CPP is the second pillar of Canada's retirement income system, which also includes the Old Age Security and the Guaranteed Income Supplement (the first pillar) and private savings (the third pillar). The CPP provides income replacement to contributors and their families in the event of retirement, disability or death. The CPP is a statutory program that is governed by the federal government and the provinces. It is enabled by the CPP legislation. Eligibility criteria must be met in order to receive benefits."

326 Government of Canada, n 325.

327 Pension Benefits Standards Act, 1985, RSC 1985, c 32 (2nd Supp); Pension Benefits Act, RSO 1990, c P.8.

328 Fiona Stewart, Himanshi Jain and Will Sandbrook, n 232 at 5-6.

329 Government of Canada, n 325.

330 Canada Life n 324.

Early access to locked-in pension assets is generally available only through prescribed unlocking mechanisms, the specific rules for which vary by jurisdiction. One of the most significant exceptions is withdrawal on the grounds of financial hardship. In Ontario, for example, the Pension Benefits Act permits withdrawals from locked-in accounts in four defined hardship categories: (1) medical expenses for the owner, spouse, or dependants; (2) arrears of rent or debt secured by a principal residence, including mortgage payments; (3) payment of first and last months' rent to secure a principal residence; and (4) low expected income.[331] Comparable hardship unlocking provisions exist in several other Canadian jurisdictions, although the categories, eligibility requirements, and withdrawal limits differ between provinces and between provincial and federal pension regimes.[332]

Financial hardship withdrawals are subject to strict procedural requirements. Applicants must submit prescribed forms and supporting documentation demonstrating that they satisfy the relevant statutory criteria. In Ontario, an individual may generally apply for a hardship withdrawal once per year within each hardship category,[333] and under section 88 withdrawals are generally restricted to the amount necessary to meet the qualifying hardship expense, while withdrawals based on low expected income are capped according to a statutory formula linked to the Year's Maximum Pensionable Earnings.[334]

In addition to financial hardship, some jurisdictions permit unlocking in narrowly defined circumstances, such as shortened life expectancy, non-residency, small balance accounts, or other exceptional situations prescribed by legislation.[335] However, these exceptions are carefully regulated and do not alter the fundamental principle that pension assets are intended to be preserved until retirement. As the World Bank has observed, Canada follows a controlled access model, permitting early access only in clearly defined circumstances involving significant financial need rather than allowing unrestricted withdrawals.[336]

In terms of taxation, Canada's superannuation and retirement regime generally operates on an EET (Exempt, Exempt, Taxed) basis. Contributions are generally tax-deductible, investment growth is tax-deferred, and withdrawals are fully taxable as ordinary income.[337]

iv. Flexible Access Superannuation Savings Systems (US, NZ)

a. United States

Overview of the retirement income system in the US

The United States' retirement income system consists of three tiers:[338]

1. Social Security, made up of Supplemental Security Income (SSI) and the Old Age and Survivor Insurance (OASI) program, forms the mandatory social safety net, based on mandatory participation for a required number of years.
2. Employer-sponsored pension and retirement plans: qualified employer plans receive tax preferences. These are not mandatory for non-government employees and around 55% of workers participate in these schemes.[339]
3. Private retirement savings plans: these are voluntary and are incentivised through special tax rules for federally authorised individual retirement accounts (IRAs).

Detail of superannuation regime in the US

Retirement income in the United States is derived from three key sources: Social Security, employer-sponsored retirement plans, and personal retirement savings. Social Security provides a foundation of income in retirement through a government-funded program supported by payroll taxes. Employer-sponsored plans, including traditional pensions and 401(k) plans (discussed below), form the second pillar and help workers accumulate retirement benefits through their employment. The third pillar consists of individual savings, such as Individual Retirement Accounts (IRAs)

331 General RRO 1990 Reg 909, sch 3 cl 8.1–8.4.
332 Fiona Stewart, Himanshi Jain and Will Sandbrook, n 232 at 5-6.
333 General RRO 1990 Reg 909, sch 3 cl 8.1–8.4.
334 General RRO 1990 Reg 909, sch 3 cl 8.1–8.4.
335 General RRO 1990 Reg 909, sch 3.
336 Fiona Stewart, Himanshi Jain and Will Sandbrook, n 232 at 5-6.
337 See OECD "Tax treatment of retirement savings in private pension plans across OECD countries" (3 December 2018) <https://www.oecd.org/en/publications/tax-treatment-of-retirement-savings-in-private-pension-plans-across-oecd-countries_5dc39bb7-en.html>.
338 Vickie Bajtelsmit 'Retirement Income Security in the United States: An Overview of the Public and Private Retirement System' in H Lee, G Nicolini and M Cho (eds) *International Comparison of Pension Systems: An Investigation from Consumers' Viewpoint* (Springer Nature Singapore, 2022) at 33.
339 At 35-37.

and other private investments. Together, these components form a multi-layered retirement system designed to provide financial support throughout retirement.[340]

The United States provides an example of a comparatively flexible access model through employer-sponsored 401(k) retirement savings plans, which are governed by s 401(k) of the Internal Revenue Code. Unlike the Canadian locked-in model, 401(k) plans permit pre-retirement access to retirement savings through hardship distributions, subject to statutory and regulatory requirements. Treasury Regulation § 1.401(k)-1(d)(3) provides that a hardship distribution may be made where an employee has an "immediate and heavy financial need" and the withdrawal is necessary to satisfy that need.[341] The Internal Revenue Service accordingly defines a hardship distribution as "a withdrawal from a participant's elective deferral account made because of an immediate and heavy financial need, and limited to the amount necessary to satisfy that financial need".[342]

The regulation identifies seven safe-harbour circumstances that are deemed to constitute an immediate and heavy financial need:[343] (1) medical expenses for the employee, spouse, dependants or beneficiary; (2) costs directly related to the purchase of the employee's principal residence (excluding mortgage payments); (3) tuition, educational fees and room-and-board expenses for up to 12 months of post-secondary education for the employee, spouse, child, dependant or beneficiary; (4) payments necessary to prevent eviction from, or foreclosure on, the employee's principal residence; (5) funeral or burial expenses for certain family members or beneficiaries; (6) expenses for the repair of damage to the employee's principal residence; and (7) expenses and losses, including loss of income, arising from certain federally declared disasters. The regulation further provides that the amount distributed must not exceed the amount required to satisfy the financial need, including any anticipated tax liabilities or penalties resulting from the distribution.[344]

Unlike the Canadian locked-in model, United States 401(k) plans generally do not impose a prescribed statutory limit on the number of hardship withdrawals that may be made. Rather, any withdrawal must be restricted to the amount necessary to satisfy the participant's immediate and heavy financial need, and individual plan rules may impose additional procedural or frequency restrictions.[345] Such withdrawals are generally taxed and are not repaid to the participant's retirement account.[346] Plan distributions made before retirement age may attract an additional 10 percent tax penalty unless an exception applies.[347] These tax and penalty mechanisms reflect a broader policy approach in which "additional penalties are imposed on early withdrawals to act as a deterrent" and to prevent the unwinding of tax advantages associated with long-term retirement savings.[348] Despite the financial penalties associated with early access, withdrawal rates remain high. It has been estimated that, for individuals under the age of 55, approximately US$0.40 is withdrawn from retirement accounts for every US$1 contributed, excluding loans.[349]

Upon leaving a sponsoring employer, individuals have the option of transferring their 401(k) balance to an Individual Retirement Account or another employer's 401(k) plan, although no transfer is required. This flexibility increases opportunities to access or liquidate retirement savings before reaching the standard withdrawal eligibility age of 59 and six months.[350] These findings must, however, be weighed against the potential benefits of permitting early access. In particular, such flexibility may encourage continued participation in retirement savings schemes and reduce the likelihood that individuals will rely on high-cost forms of borrowing to meet immediate financial needs.[351]

340 Pension Calculator Hub "US Pension System Explained: Social Security, 401(k), IRA" <https://pensioncalculatorhub.com/us-pension-system/>.

341 26 USC § 1.401(k)-1(d)(3).

342 Internal Revenue Service "Hardships, early withdrawals and loans" (26 February 2026) <https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-hardship-distributions>."[A] hardship distribution is a withdrawal from a participant's elective deferral account made because of an immediate and heavy financial need, and limited to the amount necessary to satisfy that financial need" "In general, whether an employee has an immediate and heavy financial need is to be determined based on all the relevant facts and circumstances. Generally, for example, the need to pay the funeral expenses of a family member would constitute an immediate and heavy financial need. A distribution made to an employee for the purchase of a boat or television would generally not constitute a distribution made on account of an immediate and heavy financial need. A financial need may be immediate and heavy even if it was reasonably foreseeable or voluntarily incurred by the employee."

343 26 USC §§ 1.401(k)-1(d)(3)(ii)(B)(1)-(7) and 1.401(k)-1(d)(3)(iii)(A).

344 Fiona Stewart, Himanshi Jain and Will Sandbrook, n 232.

345 26 USC § 1.401(k)-1(d)(3).

346 Internal Revenue Service "Hardships, early withdrawals and loans" n 342, noting that "[t]he money is taxed to the participant and is not paid back to the borrower's account".

347 Internal Revenue Service "Hardships, early withdrawals and loans" n 342, stating that "[a] plan distribution before you turn 65 … may result in an additional income tax of 10% of the amount of the withdrawal."

348 Fiona Stewart, Himanshi Jain and Will Sandbrook, n 232 at 5.

349 At 6.

350 At 6.

351 At 6.

The SECURE 2.0 Act 2022 introduced reforms permitting pension-linked emergency savings accounts within employer retirement plans.[352] The United States Department of Labor described these accounts as "short-term savings accounts established and maintained as part of an individual's retirement savings plan, such as a 401(k) plan".[353] The reforms were intended to "enhance retirement security by reducing retirement plan leakage" while also "offering additional flexibility to workers."[354]

In terms of taxation, the two main tax regimes are the 'traditional' (tax-deferred) regime and the 'Roth' (tax-paid) regime, which dictate whether contributions are deducted before income is taxed or whether withdrawals in retirement are received tax-free. Under the traditional (tax-deferred) regime, contributions are generally made with pre-tax dollars, reducing current taxable income. Investment growth compounds tax-free, but all withdrawals are taxed as ordinary income in retirement. Under the Roth (tax-paid) regime, contributions are made with after-tax dollars. However, the investment grows tax-free, and all qualified withdrawals in retirement are 100% tax-free.[355]

b. New Zealand

New Zealand can be positioned within this more flexible category. As explained earlier in this report, KiwiSaver permits withdrawals for financial hardship, first home purchase, and serious illness, subject to statutory requirements.[356]

In terms of taxation, New Zealand applies a Taxed-Tax-Exempt (TTE) regime to superannuation and KiwiSaver. Contributions are made from after-tax income, and investment earnings are taxed within the fund at a member's specific rate. Almost all retirement withdrawals and lump sums are 100% tax-free.

v. Hybrid Models

a. Side Car Savings Model

A specific form of hybrid model is the sidecar savings approach, which involves a dual-account structure linking liquid savings with retirement savings.[357] As described in international literature, such "hybrid savings models... consist of a saving product, linking liquid savings and pension savings together,"[358] with contributions initially distributed between liquid and illiquid accounts.[359]

Under this model, contributions are typically directed into a short-term, accessible account until a predetermined threshold (or "savings cap") is reached, after which contributions flow entirely into a long-term retirement account.[360] If funds are subsequently withdrawn from the liquid account, reducing the balance below the threshold, future contributions are again divided between the liquid and retirement accounts until the threshold is restored.[361]

USA

In the United States, recent legislative changes have enabled the introduction of pension-linked emergency savings accounts (PLESA) within defined contribution retirement plans. These accounts may be automatically funded alongside retirement contributions, are typically capped (for example, at $2,500), and allow withdrawals to be made on a tax-free and penalty-free basis. Such arrangements remain optional for plan sponsors and have seen limited early adoption.[362]

352 SECURE 2.0 Act of 2022, Pub L No 117-328, 136 Stat 4459.

353 United States Department of Labor "US Department of Labor issues guidance on new emergency savings accounts" (17 January 2024) <https://www.dol.gov> describing pension-linked emergency savings accounts as "short-term savings accounts established and maintained as part of an individual's retirement savings plan, such as a 401(k) plan."

354 United States Department of Labor "US Department of Labor issues guidance on new emergency savings accounts" n 353, stating that the accounts would "enhance retirement security by reducing retirement plan leakage" while "offering additional flexibility to workers."

355 Under a traditional Individual Retirement Arrangement (IRA), contributions are tax-deductible, and withdrawals and contributions are taxable. Under a Roth IRA, contributions are not tax-deductible but qualified withdrawals and deductions are tax-free.
See <www.irs.gov> 'Traditional IRAs' at <https://www.irs.gov/retirement-plans/traditional-iras>
'Roth IRAs' at <https://www.irs.gov/retirement-plans/roth-iras>
'Traditional and Roth IRAs' at <https://www.irs.gov/retirement-plans/traditional-and-roth-iras>
See Internal Revenue Service "Traditional and Roth IRAs" (01 April 2026) <https://www.irs.gov/retirement-plans/traditional-and-roth-iras>

356 KiwiSaver Act 2006, sch 1 cl 8-12B

357 Fiona Stewart, Himanshi Jain and Will Sandbrook, n 232, at 7: "Hybrid savings models... linking liquid savings and pension savings together."

358 At 7: "consist of a saving product, linking liquid savings and pension savings together."

359 At 7: "contributions paid... would at first be distributed between liquid and illiquid accounts."

360 At 7: "When the balance... reaches a predetermined threshold level... all contributions thereafter go entirely into the illiquid retirement account."

361 At 7: "If at any point the saver withdraws funds... future contributions would once again start being divided..."

362 Lettie Nocera and Emerson Sprick *Workplace Emergency Savings Policy: Where We Are and What Comes Next* (Bipartisan Policy Center, 20 August 2024) <https://bipartisanpolicy.org/article/emergency-savings-policy/>: "pension-linked emergency savings accounts (PLESAs)... automatically enroll workers... up to 3%... account balance is limited to $2,500... Savers can withdraw funds... tax-free and penalty-free... optional for plan sponsors... early adopters..." available at https://bipartisanpolicy.org/article/emergency-savings-policy/

PLESAs may be offered by employers as an optional feature of a retirement plan and can be funded through automatic payroll deductions. Eligible employees may be automatically enrolled at contribution rates of up to 3% of compensation, although participation remains voluntary and employees may opt out or change their contribution level. Contributions are generally made on an after-tax (Roth) basis, and account balances are typically capped at US$2,500 (subject to future inflation adjustments and plan design choices).[363]

A key feature of PLESAs is that savings can be accessed quickly and without the tax penalties that normally apply to early withdrawals from retirement accounts. Participants may withdraw funds as needed, generally without demonstrating financial hardship, making the accounts more suitable for covering unexpected expenses such as medical bills, vehicle repairs, or temporary income disruptions. By providing a dedicated source of emergency savings, PLESAs aim to reduce reliance on high-cost debt and limit "leakage" from retirement savings.[364]

Despite policy interest in the concept, employer uptake has been relatively slow. Early evidence suggests that many plan sponsors and recordkeepers have been cautious about implementation due to administrative complexity, operational requirements, and uncertainty regarding participant demand. As a result, adoption remains limited, although policymakers and industry stakeholders continue to explore reforms that could encourage broader use of workplace emergency savings arrangements.[365]

UK

In the United Kingdom, the National Employment Savings Trust (NEST) undertook a multi-year trial to test a sidecar saving model between July 2019 and August 2022.[366] The trial found that sidecar saving's pension rollover mechanism is a device that responds to changes in people's financial resilience, enabling them to save more for retirement after building up some short-term savings.[367] The trial found that this supports both immediate financial wellbeing and retirement outcomes.[368]

Beginning in 2018, NEST partnered with employers and financial service providers to test a workplace savings model that combined an accessible emergency savings account with pension saving. Under the trial design, employee contributions were initially directed towards a liquid emergency savings pot via payroll deduction and, once a target balance was reached, additional contributions were directed to the employee's workplace pension.[369]

The trials were intended to improve financial resilience by helping workers build a buffer for unexpected expenses while preserving long-term retirement savings. Early findings suggested that employees and employers were generally receptive to the concept, particularly the ability to save automatically through payroll deductions and maintain an accessible emergency fund without sacrificing retirement saving. Researchers also identified the potential for automatic enrolment mechanisms and integrated workplace savings arrangements to increase participation and savings outcomes.[370]

Despite these positive findings, sidecar savings have not been adopted as a mainstream feature of the UK pension system, nor have they been incorporated into the statutory automatic enrolment framework. The concept remains at the research and policy development stage, although NEST Insight and other stakeholders continue to examine how workplace emergency savings could be implemented at scale to strengthen both short-term financial resilience and long-term retirement outcomes.[371]

NZ

In New Zealand, similar "rainy day" or sidecar concepts have been proposed in policy discussions but have not been trialled or operationalised. The Retirement Commission said in its 2025 Review (footnotes omitted):[372]

This approach has been trialled in the United Kingdom to reduce reliance on high-cost credit for unexpected expenses and hardship withdrawals from retirement savings. Financial shocks can derail retirement saving, and sidecars could help mitigate this risk by giving people access to funds without undermining their long-term goals.

363 Lettie Nocera and Emerson Sprick, n 362.

364 Department of Labour (United States) "Frequently Asked Questions: Pension-Linked Emergency Savings Accounts" <https://www.dol.gov/sites/dolgov/files/ebsa/about-ebsa/our-activities/resource-center/faqs/linked-emergency-savings-accounts.pdf>.

365 Lettie Nocera and Emerson Sprick, n 362.

366 Annick Kuipers and others *Workplace sidecar saving in action* (Nest insight, 2023) at 9.

367 At 13.

368 At 13.

369 At 19–20.

370 At 65–67.

371 Centre for Inclusive Money "From sidecar trial to system design" (30 March 2026 <https://www.nestinsight.org.uk/from-sidecar-trial-to-system-design/>.

372 Te Ara Ahunga Ora Retirement Commission, *Review of Retirement Income Policies 2025*, n 1, at 66.

The United Kingdom experience highlights the importance of seeing contributions to sidecars as being in addition to rather than in place of retirement savings. For instance, contributions to KiwiSaver could continue as normal, and members could opt in to direct extra contributions into a capped liquid account. This would leverage existing infrastructure while addressing behavioural barriers to saving. The 2019 Review of Retirement Income Policies referenced this idea as part of a broader strategy to improve outcomes for low- and middle-income earners. Self-employed people may also find sidecar savings more suitable, given their irregular income and reluctance to lock funds into KiwiSaver.

The Commission made this recommendation:[373]

Design and trial sidecar/emergency savings accounts Rationale: Reduces reliance on hardship withdrawals, improving financial resilience, and helps maintain KiwiSaver's focus as a retirement savings scheme.

South Africa

South Africa has recently introduced a "two-pot" retirement system aimed at balancing preservation with flexibility. From September 2024, retirement contributions are split between a "savings pot" and a "retirement pot". The reform was introduced to "balance immediate financial needs with long-term financial security, offering flexibility while safeguarding retirement savings."[374]

Under the system, one-third of future retirement contributions are allocated to a savings component which may be accessed before retirement (subject to withdrawal rules), while two-thirds are preserved until retirement and must generally be used to purchase an annuity.[375]

South Africa appears to operate an EET (Exempt-Exempt-Taxed) taxation model, where contributions are tax deductible, investment growth is not taxed, and withdrawals -both annuities and lump sums - are taxable above certain levels.[376]

b. Other Early Access Models

Turkey

Turkey's private pension system (Bireysel Emeklilik Sistemi – BES) has traditionally emphasised preservation of retirement savings. Before the addition of an early withdrawal option in 2024, participants could only access their BES savings before retirement "by withdrawing all their savings and closing their accounts."[377]

There are two systems: the Individual Pension System (IPS) which is voluntary[378] and the Auto Enrollment System (AES) under which employers are obligated to enter employees.[379] They both have the same state contribution rates and structure, and the same withdrawal conditions.[380] The recently introduced partial payment/early withdrawal for marriage, home purchases, natural disasters, and education is only available for the IPS system[381] Individuals may have accounts under both systems. However, there are no separate liquid accounts available for emergencies.

In terms of taxation, Turkey's private pension regime operates on a TTE (Taxed-Taxed-Exempt) model, meaning contributions are generally made with after-tax income, fund investments are taxed, but withdrawals are structured with tax incentives and a state-matching subsidy. [382]

373 At 9.

374 Investec Wealth & Investment International "SA's new retirement system – the p(l)ot thickens" (25 April 2024) <https://www.investec.com/en_za/focus/money/sas-new-retirement-system-the-plot-thickens.html> stating that the system aims to "balance immediate financial needs with long-term financial security, offering flexibility while safeguarding retirement savings"

375 Investec Wealth & Investment International "SA's new retirement system – the p(l)ot thickens" n 374, stating "[T]wo-thirds of your retirement contributions […] will be transferred into the retirement pot and are reserved for retirement […] You will not be able to access the funds in the retirement pot until retirement, whereupon the full Retirement Pot needs to be used to purchase an annuity.".

376 See *Taxation in South Africa* (South Africa Revenue Service, 2026) at [2.4.7(c)] and [2.4.9] .

377 See South African Revenue Service "Tax and Retirement" <https://www.sars.gov.za/individuals/tax-during-all-life-stages-and-events/tax-and-retirement/#elementor-toc__heading-anchor-1>.
See Rudolph Hendrik van Rensburg *An overview of taxation in the South African retirement funding industry* (Post Graduate Diploma in Tax Law research dissertation, University of Cape Town, 2014) at 5.

377 United States Social Security Administration "Turkey Adds Early Withdrawal Options to Private Pension System" (September 2024) < https://www.ssa.gov/policy/docs/progdesc/intl_update/2024-09/index.html> noting that participants previously could only access BES savings before retirement "by withdrawing all their savings and closing their accounts."

378 See Pension Monitoring Center "What is IPS?" <https://www.egm.org.tr/voluntary-participation-ips/what-is-ips/>.

379 See Pension Monitoring Center "AES – IPS Comparison" <https://www.egm.org.tr/auto-enrollment-system-aes/aes--ips-comparison/>

380 See Pension Monitoring Center "AES – IPS Comparison", n 379.

381 See United States Social Security Administration "Turkey Adds Early Withdrawal Options to Private Pension System", n 377.

382 See Organisation for Economic Co-operation and Development "The tax treatment of retirement savings in private pension plans" (December 2018)<https://www.oecd.org/content/dam/oecd/en/publications/reports/2018/12/tax-treatment-of-retirement-savings-in-private-pension-plans-across-oecd-countries_57edd21a/5dc39bb7-en.pdf>.

Uganda

Uganda amended its National Social Security Fund (NSSF) framework in 2022 to permit midterm access to retirement savings under limited circumstances. Members aged 45 years and above who have contributed to the Fund for at least ten years are eligible to access "a sum not exceeding 20 percent of his or her accrued benefits".[383]

Members with disabilities who are aged 40 years and above and who have contributed for at least ten years may access up to 50 percent of their accrued benefits.[384]

The NSSF, which is the mandatory public pension fund, appears to be a TTE (Taxed-Taxed-Exempt) scheme in terms of taxation.[385]

vi. Whole-of-Life Savings Models (Singapore)

a. Singapore

Singapore's retirement income system is centred on the Central Provident Fund (CPF), a compulsory national savings scheme established under the Central Provident Fund Act 1953. Unlike New Zealand's retirement income framework, which combines a universal public pension (NZ Super) with the voluntary KiwiSaver scheme, Singapore relies heavily on mandatory individual savings accumulated throughout a person's working life.[386]

The CPF system is often described as a whole-of-life savings model because contributions are used not only for retirement but also for housing, healthcare and other approved purposes. Rather than maintaining a single retirement savings account, CPF contributions are allocated among multiple accounts with different objectives. A KiwiSaver provider that we interviewed noted that "Instead of one savings pot (like KiwiSaver), your contributions are split into different accounts, each for a specific purpose." This structure is intended to support members' financial needs throughout their lives while preserving sufficient savings for retirement.

The three principal CPF accounts are:[387]

- Ordinary Account (OA) – used primarily for housing, education, approved investments and certain insurance purposes.
- MediSave Account (MA) – used to fund healthcare expenses and medical insurance.
- Retirement Account (RA) – created when a member reaches age 55 and used to provide retirement income.

A distinctive feature of the Singapore system is that it does not operate a general financial hardship withdrawal regime comparable to New Zealand's KiwiSaver hardship withdrawal provisions. The legislative framework governing withdrawals is contained in Part 3 of the Central Provident Fund Act 1953, particularly ss 15 and 15AA. Under s 15(2)(a), members generally become entitled to withdraw CPF savings once they attain the age of 55.[388] However, that entitlement is subject to significant preservation requirements designed to ensure adequate retirement savings.

When a member turns 55, a Retirement Account is automatically created and savings are transferred from the member's Special Account and Ordinary Account into the Retirement Account up to the applicable Full Retirement Sum. Section 15(6)(a) requires the relevant retirement sum to be "set aside or topped-up" before withdrawals can occur. As a result, members cannot simply withdraw all CPF savings at age 55.[389] Instead, sufficient funds must remain in the Retirement Account to support future retirement income, including through the CPF LIFE annuity scheme.

383 National Social Security Fund "Midterm Access" <https://www.nssfug.org/benefits-products/midterm/>.

384 National Social Security Fund "Midterm Access" n 383.

385 See Victor Karamagi "To Wean Off Foreign Borrowing, Uganda's Long-term Savings to GDP Must Rise to 25%" (National Social Security Fund Uganda, 6 February 2025,) <https://www.nssfug.org/savings-digest/to-wean-off-foreign-borrowing-ugandas-long-term-savings-to-gdp-must-rise-to-25/>.

386 Fiona Stewart, Himanshi Jain and Will Sandbrook, n 232 at 9
"The Central Provident Fund of Singapore is a comprehensive social security system… The total contribution is allocated to several accounts: Ordinary account… used for housing, insurance, education, and other approved investments; Medisave account… for hospitalization and approved medical insurance costs; Special account… for old age and investment in retirement-related financial products; [and] a retirement account…"

387 Fiona Stewart, Himanshi Jain and Will Sandbrook, n 232 at 9 "Sub-accounts for retirement savings and other purposes (housing, medical) are built up and any residual savings from the non-retirement accounts is transferred to the pension account upon retirement… As of March 2017, S$200 billion had been withdrawn… predominantly to fund public housing."

388 Central Provident Fund Act 1953, s15(2)(a).

389 Section 15(6)(a).

For 2026, the CPF retirement sums are:[390]

- Basic Retirement Sum (BRS): S$110,200;
- Full Retirement Sum (FRS): S$220,400; and
- Enhanced Retirement Sum (ERS): S$440,800.

These sums are reviewed periodically to reflect changes in living costs and retirement income needs.

Under the current framework, members who have successfully set aside the Full Retirement Sum may generally withdraw savings exceeding that amount. Members who have not met the Full Retirement Sum may generally withdraw up to S$5,000 from age 55, while the remaining balances continue to be preserved for retirement purposes. Property owners may also have access to additional withdrawals through the CPF property pledge arrangements, whereby qualifying housing assets may be used to satisfy part of the retirement sum requirement.

The CPF Act also contains limited exceptions permitting earlier access to savings in specific circumstances. For example, s 15AA allows withdrawal where the Board is satisfied that a member is suffering from a prescribed "significant condition".[391] This is conceptually closer to New Zealand's serious illness withdrawal provisions than to its financial hardship withdrawal regime. In addition, CPF savings may be used during a member's lifetime for approved housing, healthcare and educational purposes pursuant to other provisions of the Act. However, there is no equivalent provision allowing members to access retirement savings because they are unable to meet living costs, pay rent, service mortgage debt, or otherwise demonstrate financial hardship.

Consequently, Singapore addresses short-term financial needs differently from New Zealand. Rather than relying on hardship withdrawals from retirement savings, the CPF system seeks to reduce the need for such withdrawals by providing separate savings streams for different life objectives. The legislative framework emphasises preservation of retirement savings while recognising that members will also require funds for housing, healthcare and education during their working lives.

Importantly, financial hardship in Singapore is generally addressed through the broader social assistance system rather than through access to retirement savings. Individuals and families experiencing financial difficulties may receive support through government programmes such as ComCare, which provides short-term, medium-term and long-term financial assistance, including cash support for living expenses, assistance with rent and utility costs, medical assistance, employment support and referrals to social services. Eligibility is assessed holistically, taking into account an individual's employment circumstances, family responsibilities, income, assets and available support networks. As a result, Singapore largely separates retirement savings policy from hardship assistance policy, preserving retirement savings while addressing immediate financial need through targeted welfare programmes.[392]

This represents a fundamentally different approach from New Zealand. Whereas KiwiSaver permits withdrawals where a member is suffering, or is likely to suffer, significant financial hardship, Singapore generally preserves retirement savings and instead relies on separate social support mechanisms to provide hardship relief. The Singaporean model therefore seeks to minimise pressure on retirement savings by ensuring that retirement provision and financial hardship assistance perform distinct policy functions.

However, commentators have noted potential trade-offs associated with this approach. International evidence indicates that the substantial use of CPF savings for housing has reduced the proportion of total contributions ultimately available to fund retirement income, with one assessment concluding that "only 6 percent of the total contribution rate... is used to effectively finance retirement."[393]

390 Central Provident Fund Board "Your complete guide to retirement planning in Singapore (2026)" (4 September 2026) <https://www.cpf.gov.sg/member/infohub/educational-resources/your-complete-guide-to-retirement-planning-in-singapore>.

391 Central Provident Fund Act 1953, s15AA.

392 Ministry of Social and Family Development "About ComCare" <https://www.msf.gov.sg/what-we-do/comcare> "ComCare offers support to Singaporeans and their families who require financial assistance to meet basic needs like food, transport, and household bills. The video guide provides applicants with information on the requirements of the ComCare application process and applicants' responsibilities while on assistance." "Short-To-Medium-Term Assistance Temporary support for families and individuals who are unable to work for a period of time (e.g. due to illness, caregiving responsibilities), are looking for a job, or are earning a low income and require assistance to meet their basic living needs." "Long-Term Assistance Long-term support for persons who are permanently unable to work due to old age, illness or disability, have limited or no means of income, and have little or no family support." "Interim Assistance Immediate financial assistance to individuals and families who require urgent and temporary financial relief. Student Care Fee Assistance Fee assistance for children from working families enrolled in MSF-registered Student Care Centres. Kindergarten Fee Assistance Scheme Support to defray kindergarten fees for Singaporean Children. Infant and Childcare Subsidy Scheme Support to defray preschool fees for Singaporean children."

393 Fiona Stewart, Himanshi Jain and Will Sandbrook, n 232 at 9: "only 6 percent of the total contribution rate... is used to effectively finance retirement."

At the same time, research on retirement expenditure patterns in Singapore highlights the rationale for preserving retirement savings into later life. Analysis of data from the Retirement and Health Study found that although some categories of expenditure, such as transport and recreation, tended to decline with age, overall expenditure increased over the course of retirement due to factors such as inflation and growing care needs. In particular, expenditure on housing and home maintenance increased significantly in later life, largely because retirees increasingly required domestic help and caregiving support. The study found that nominal expenditure increased by approximately 3.2 per cent per annum between ages 65 and 85, with expenditure growth being particularly pronounced among retirees with lower wealth levels. These findings suggest that retirement spending does not necessarily decline with age and support the policy objective of retaining sufficient savings to meet expenses that may arise in advanced age.[394]

Singapore therefore provides an example of a retirement savings system that prioritises preservation while integrating housing, healthcare and other lifetime needs into a single compulsory savings framework. Although the model differs substantially from KiwiSaver, it highlights an alternative policy approach that seeks to minimise the need for hardship withdrawals by separating longer-term retirement savings objectives from other financial needs throughout the life course.

One of the KiwiSaver providers we spoke to expressed support for a whole of life savings model in this way:

My preference would be that every child was given a KiwiSaver account at birth. Just like you get your IRD account, you should get your KiwiSaver account. Instead of giving whatever the IRD amount it is that we have in subsidies at the moment, just give it to kids. It's not working as an incentive for anybody. Imagine if every kid got 10 bucks a week. You know, they would reach adulthood with $16,000 or $17,000. This might give them the opportunity to choose their life course in terms of going to university or something else, buy a car, start a business. But also just meaning that everybody starts adulthood with at least some amount of liquid financial asset.

In terms of taxation, the CPF operates under an Exempt-Exempt-Exempt (EEE) system, meaning contributions are generally tax-deductible, investment growth is tax-free, and all withdrawals are completely tax-free.[395]

v. Summary of International Approaches

Country	Financial Hardship Access?	Threshold	Limits	Overall Strictness
United Kingdom	No	No hardship withdrawals permitted. Early access generally only for serious ill-health.	Retirement savings preserved until minimum pension age.	Very High
Australia	Yes	Must generally be receiving income support for a prescribed period and be unable to meet reasonable and immediate family living expenses.	One withdrawal per year (for most applicants), generally $1,000-$10,000.	High
Canada	Yes	Limited grounds including low expected income, medical expenses, rent or mortgage arrears and first/last month's rent.	One application per year per hardship category, subject to statutory withdrawal limits, including YMPE-based caps for low-income withdrawals.	Moderately High

394 Central Provident Fund "Retirement and Health Study Insights: Expenditure increases over the course of retirement" (July 2023) at 1–3. "After adjusting for inflation, we found that spending on food, recreation and transport declined with age. Non essential aspects of these expenses might have been reduced as one became less active. However, spending on household maintenance increased significantly with age as more hired domestic helpers for household chores as well as other caregiving needs (Figure 1A)." "We found that nominal spending increased at a compounded annual growth rate (CAGR) of 3.2% per annum (p.a.) from age 65 to 85."

395 See Inland Revenue Authority Singapore "Retirement benefits" < https://www.iras.gov.sg/taxes/individual-income-tax/basics-of-individual-income-tax/what-is-taxable-what-is-not/employment-income/retirement-benefits> and "Central Provident Fund (CPF) Relief for employees" < https://www.iras.gov.sg/taxes/individual-income-tax/basics-of-individual-income-tax/tax-reliefs-rebates-and-deductions/tax-reliefs/central-provident-fund(cpf)-relief-for-employees>.

New Zealand	Yes	Member is suffering, or likely to suffer, significant financial hardship and has exhausted reasonable alternative sources of funding.	No fixed statutory cap on number of withdrawals. Supervisor determines amount necessary to alleviate hardship.	Moderate
United States	Yes	Immediate and heavy financial need under 401(k) hardship rules.	Tax consequences and potential penalties apply.	Moderate-Low
Singapore	Not generally a hardship withdrawal system	Savings are divided into different accounts designed for housing, healthcare and retirement.	Access depends on account type and purpose.	Moderate
South Africa	Partial Access Model	Access available through the savings component of the new two-pot system.	Only the savings pot is available before retirement.	Moderate
Turkey	Limited	Specified life events (marriage, housing, education, disasters).	Partial withdrawal only.	Moderately High
Uganda	Limited	Access available after meeting age and contribution requirements.	Up to a prescribed percentage of accrued benefits.	High

Our review of international approaches demonstrates that there is no single approach to balancing retirement income adequacy with access to retirement savings during periods of financial hardship. Instead, jurisdictions have adopted markedly different rules depending on the extent to which retirement savings are intended to be preserved and the availability of alternative forms of financial support.

The United Kingdom adopts the most restrictive approach examined. Members generally cannot access pension savings before retirement age because of financial hardship, regardless of the severity of their financial circumstances. Early access is generally limited to serious ill-health and other narrowly defined exceptions. Financial hardship is therefore addressed through the broader welfare system rather than through access to pension savings.

Australia permits early access on hardship grounds, but only where strict statutory criteria are met. For most applicants, this requires continuous receipt of Commonwealth income support payments for at least 26 weeks, continued receipt of those payments at the time of application, and an inability to meet reasonable and immediate family living expenses. Withdrawals are generally limited to between A$1,000 and A$10,000 and only one withdrawal may be made within a 12-month period. For individuals who have reached preservation age plus 39 weeks, different rules apply, but receipt of Commonwealth income support payments remains a central eligibility requirement for a hardship withdrawal. This reflects a strong policy commitment to preservation, with hardship access operating as a last-resort safety valve.

Canada also adopts a preservation-focused approach. Access is generally limited to prescribed hardship categories such as low expected income, medical expenses, rent arrears, mortgage arrears, or securing accommodation. Applicants must satisfy statutory eligibility criteria and provide supporting documentation. Withdrawal amounts are generally limited to the amount required to address the hardship, and some categories are subject to statutory caps or formulas. Unlike New Zealand, access is largely rule-based rather than discretionary.

New Zealand's 'significant financial hardship' regime is comparatively broader and more flexible. Eligibility is not linked to receipt of welfare benefits or a minimum period of financial distress. Instead, the focus is on whether the member is suffering, or is likely to suffer, significant financial hardship and whether reasonable alternative sources of funding have been explored. The regime also encompasses a wider range of circumstances, including inability to meet minimum living expenses, mortgage arrears, medical treatment costs, disability-related costs, funeral expenses and palliative care. Unlike Australia and Canada, there is no statutory limit on the number of withdrawals that may be made.

The United States adopts a different model again. Hardship withdrawals may be made where a member has an "immediate and heavy financial need". Safe harbour categories include medical expenses, preventing eviction or foreclosure, education expenses, funeral expenses, disaster-related losses and certain housing costs. Although withdrawals are generally limited to the amount required to meet the need, there is no equivalent requirement for prolonged receipt of government support payments. Instead, preservation is encouraged through tax consequences and potential early withdrawal penalties.

The comparison also reveals an emerging policy trend. Recent reforms in the United States, United Kingdom, South Africa and Singapore are increasingly focused on reducing the need for hardship withdrawals rather than expanding or restricting access rules. Pension-linked emergency savings accounts in the United States, sidecar savings proposals in the United Kingdom, South Africa's two-pot system, and Singapore's multi-account savings framework all seek to provide access to short-term liquidity without drawing down retirement savings.

The international evidence therefore suggests that the key distinction between jurisdictions is not whether hardship access is permitted, but how it is managed. Australia and Canada rely on tightly prescribed statutory eligibility criteria and withdrawal limits. New Zealand relies more heavily on an overall assessment of hardship. The United States permits broader access but imposes tax-based disincentives. The United Kingdom largely prohibits hardship access altogether. Increasingly, however, jurisdictions are exploring mechanisms that provide alternative sources of emergency funds, reducing pressure on retirement savings while preserving their primary purpose of providing income in retirement.

APPENDIX

Appendix 1–
Rules 10 and 11 of the KiwiSaver Scheme Rules (see Schedule 1 to the KiwiSaver Act 2006, clauses 10 and 11)

10 Withdrawal in cases of significant financial hardship

(1) If the manager (in the case of a restricted KiwiSaver scheme) or the supervisor (in the case of any other KiwiSaver scheme) is reasonably satisfied that a member is suffering or is likely to suffer from significant financial hardship, the member may, on application to that manager or supervisor in accordance with clause 13, make a significant financial hardship withdrawal in accordance with this clause.

(2) The amount of that significant financial hardship withdrawal may, subject to the manager's approval (in the case of a restricted KiwiSaver scheme) or the supervisor's approval (in the case of any other KiwiSaver scheme) under subclause (3), be up to the value of the member's accumulation less the amount of the Crown contribution (disregarding any positive or negative returns for the purpose of calculating the amount of the Crown contribution) on the date of withdrawal.

(3) The manager (in the case of a restricted KiwiSaver scheme) or the supervisor (in the case of any other KiwiSaver scheme)—

> (a) must be reasonably satisfied that reasonable alternative sources of funding have been explored and have been exhausted; and
> (b) may direct that the amount withdrawn be limited to a specified amount that, in the opinion of the manager (in the case of a restricted KiwiSaver scheme) or the supervisor (in the case of any other KiwiSaver scheme), is required to alleviate the particular hardship.

11 Meaning of significant financial hardship

(1) For the purposes of these rules, **significant financial hardship** includes significant financial difficulties that arise because of—

(a) a member's inability to meet minimum living expenses; or

(b) a member's inability to meet mortgage repayments on his or her principal family residence resulting in the mortgagee seeking to enforce the mortgage on the residence; or

(c) the cost of modifying a residence to meet special needs arising from a disability of a member or a member's dependant; or

(d) the cost of medical treatment for an illness or injury of a member or a member's dependant; or

(e) the cost of palliative care for a member or a member's dependant; or

(f) the cost of a funeral for a member's dependant; or

(g) the member suffering from a serious illness.

(2) In this section, **serious illness** has the meaning given to it by clause 12(3).

Appendix 2
Summary of FSCL case notes relating to complaints around significant financial hardship withdrawal applications

"It was not our money"[396] The request for withdrawal was denied because the applicant had money in its account and had an investment property. The applicant said the money in the account did not belong to them but there was a lack of evidence to support this. It was also reasonable for the supervisor to consider the property a possible alternative source of funds. The supervisor's decision was upheld.

"Financial hardship withdrawal for potential redundancy not allowed"[397] The request for withdrawal of funds was denied because the applicant had not yet been made redundant, so was not currently experiencing finance hardship. The applicant had been notified of a possible redundancy. Citing the stress and financial uncertainty arising from his potential redundancy, the applicant applied to withdraw funds. FSCL explained to the applicant that the test for a financial hardship withdrawal is very high. Under the KiwiSaver Act, the supervisor has to be reasonably satisfied that an applicant is suffering from, or likely to suffer from, significant financial hardship. In this case, the employer had not made a final decision regarding the applicant's job, and there was no certainty that the applicant would be made redundant.

"KiwiSaver withdrawals are strictly limited"[398] The request for withdrawal of funds was denied because the KiwiSaver Act does not allow withdrawals for buying assets like tiny homes, even if intended to improve long-term hardship. The applicant wanted to withdraw funds

396 https://fscl.org.nz/case-studies/it-was-not-our-money/
397 https://fscl.org.nz/case-studies/financial-hardship-withdrawal-for-potential-redundancy-not-allowed/
398 https://fscl.org.nz/case-studies/kiwisaver-withdrawals-strictly-limited/

to buy a tiny home, caravan, or container as a long-term solution to her financial hardship. The KiwiSaver Act only allows withdrawals for essential living expenses, not asset purchases like the applicant wanted. Instead, the supervisor approved a limited withdrawal to cover 13 weeks of essential living costs. FSCL reviewed the complaint, the law, and the Financial Services Council guidelines. FSCL found that the supervisor's decision was reasonable.

"Let me access my KiwiSaver"[399] The request for withdrawal of funds was denied because the applicant was still able to meet his minimum expenses (for example food, clothing, rent, and transport) without his KiwiSaver money. Business expenses or expenses relating to his investment property were not 'minimum' expenses.
The applicant complained that his KiwiSaver supervisor incorrectly assessed his hardship because they didn't consider his investment property expenses related to converting a commercial office into a residential apartment, which made his monthly costs $2,000 more than his monthly income. The supervisor didn't include the costs of his investment project because the property wasn't the applicant's primary residence.

"Can you use KiwiSaver to repay debt?"[400] Although the applicant's weekly budget showed a small surplus, she wanted to use her KiwiSaver to repay her growing credit card debt. The supervisor declined her application explaining that they do not release money to repay debt. However, during their review, the supervisor discovered that a loan in applicant's brother's name, secured by her car, was in default. The lender was about to repossess the car. The supervisor agreed to release money to repay the loan arrears to prevent the repossession. FSCL states in this case note - *If your budget is in deficit or if you have an unexpected expense that fits within the minimum living expense criteria with no other means to pay for it, your supervisor may release money on significant financial hardship grounds. However, it is very unlikely that your supervisor will release money to repay debt because debt, of itself, is not considered to cause significant financial hardship.*

"Withdrawal of full amount of KiwiSaver contributions initially declined, and then approved."[401] A withdrawal of all the amount in the applicant's KiwiSaver account was requested and recommended by the provider, but the supervisor declined this and only allowed a partial withdrawal because they could see that the applicant was getting an income from her business. Subsequently the supervisor approved a full withdrawal based on further supporting information from the provider. FSCL found the supervisor's actions were reasonable, having regard to the KiwiSaver Act 2006 and industry guidelines (the Financial Services Council NZ's significant financial hardship processing guidelines). "A supervisor is required to carefully examine and verify an applicant's financial situation, including their income, and it was appropriate for the supervisor to have done so in [the applicant's'] case."

"Declined KiwiSaver significant financial hardship withdrawal"[402] The applicant applied to withdraw $8,000 from his KiwiSaver account, as a significant financial hardship withdrawal, to pay for orthodontic treatment for his daughter. The request was declined because the applicant has not provided information from the orthodontist about the treatment such as a quote or to show that the treatment was needed for medical reasons, as opposed to being for cosmetic reasons.
The applicant had also not shown that reasonable alternative ways of paying for the treatment had been explored and exhausted. FSCL said it was reasonable that the supervisor wanted information from the orthodontist to show that the treatment was needed for medical reasons, to treat an illness or injury, as opposed to being recommended for cosmetic reasons. It was also reasonable that the supervisor wanted information to show that the applicant had explored a loan, with repayments funded from his weekly budget surplus, as an alternative way of paying for the orthodontic treatment. The applicant's partner had money set for overseas travel. It was reasonable that the supervisor considered the savings a means to pay for the orthodontic treatment.

"Can I withdraw from KiwiSaver to repay debt?[403] The applicant's household income fell 50% due to personal circumstances. As a result, the applicant was unable to meet weekly living expenses. The applicant applied to withdraw all funds from their KiwiSaver account. They wanted to pay down debt so they could afford ongoing living costs. The supervisor of their KiwiSaver scheme approved partial withdrawals. The supervisor explained that they could only release funds to repay overdue debts and to cover the shortfall between the applicant's income and essential living expenses. By the time FSCL reviewed the complaint, the applicant's debts were around $70,000. They had around $22,000 left invested in KiwiSaver. The supervisor said they could not allow a withdrawal to pay down debt. The supervisor could only consider debt servicing costs (these are included when assessing the member's living expenses).

The supervisor offered to process a further $15,000 withdrawal, being an advance on future living expenses.

399 https://fscl.org.nz/case-studies/let-me-access-my-kiwisaver/
400 https://fscl.org.nz/case-studies/can-you-use-kiwisaver-to-repay-debt/
401 https://fscl.org.nz/case-studies/withdrawal-of-full-amount-of-kiwisaver-contributions-initially-declined-and-then-approved/
402 https://fscl.org.nz/case-studies/declined-kiwisaver-significant-financial-hardship-withdrawal/
403 https://fscl.org.nz/case-studies/can-i-withdraw-from-kiwisaver-to-repay-debt/

They suggested that the applicant explore other ways to manage their debt, such as contacting their bank again to discuss their debts or speaking with a financial mentor. FSCL concluded that the applicant should discontinue their complaint because the supervisor had made a reasonable offer. FSCL agreed with the supervisor that the law did not allow the release of money early from the applicant's KiwiSaver accounts to enable them to make lump sum debt repayments.

FSCL stated:

Many KiwiSaver members believe their financial position would improve if they could make an early withdrawal from their KiwiSaver account, for example, to use their savings to repay debt or to start a small business. However, that is not the purpose of KiwiSaver.

"KiwiSaver savings are your money – but not yours to spend yet"[404] The applicant had been made redundant, was having difficulty meeting mortgage payments and had crashed his car. He wanted to withdraw his entire $40,000 KiwiSaver balance so he could purchase a new car and pay off a chunk of his mortgage to reduce his minimum payments. The supervisor agreed to released only $11,000. FSCL found the supervisor had made a reasonable decision. The supervisor said that it could not help him pay down the balance of his mortgage. The supervisor also said it was not satisfied that the applicant needed a new car and thought that there were public transport options available. FSCL explained to the applicant that the money in his KiwiSaver account did belong to him, but that it was only accessible when he retired or earlier, in very limited, exceptional circumstances.

"Significant financial hardship application goes missing"[405] This case involved an application for a financial hardship withdrawal going missing after apparently being submitted to the bank. In light of the circumstances, FSCL decided that the most important thing was to get the significant financial hardship withdrawal application in front of the supervisor as quickly as possible. FSCL arranged a video call between the applicant and the supervisor and the supervisor subsequently released enough money to relieve his significant financial hardship for the next 13 weeks.

"Family debt difficulties"[406] The applicant resigned from her job when her partner left and her children. She then moved in with her mother. There was a debt owing to the applicant's mother that she could not afford to repay. She made a financial hardship application and received $1400 towards the deficit in her budget but the supervisor would not release money to repay the family loan. FSCL explained to the applicant that although she could apply for an early withdrawal on the grounds of significant financial hardship, the supervisor is unlikely to release money to pay debt because the debt does not necessarily indicate financial hardship. The release of money to pay family debt is even less likely, because financial hardship caused by family debt is hard to prove.

"Outside the box"[407] The applicant was a solo parent of three talented teenage sportspeople, who had been made redundant and decided to retrain. As a consequence, he was experiencing financial difficulty. He asked his KiwiSaver supervisor to release money to meet his, and his family's, living expenses. As elite sportspeople, his family incurred more than the usual costs. The children had regular physiotherapy appointments, ate more than regular children, incurred more transport costs, and needed specialist sports shoes. In addition, the children incurred considerable expenses associated with international travel. FSCL stated: *Overarching all of this [ie, determining what are minimum living expenses] however, is a holistic assessment of the member's circumstances which should not be overly 'forensic' or literal. If a member can establish, to the reasonable satisfaction of the Trustee [now known as the Supervisor], that in a practical sense he or she cannot meet (or is unlikely to be able to meet) minimum living expenses, then the withdrawal should be treated as permissible even if there is some expenditure at the fringes of what the Trustee considers to be a minimum living expense. [...]Expenses relating to elite sport could not be considered a minimum living expense.*

"What's the significance of my partner's funds?"[408] The applicant had a partner and there were funds held in the partner's bank accounts ($60,000). The applicant explained that those funds were set aside to pay debts owed to third parties (but which had not yet been invoiced). The debts had been incurred prior to his relationship with the applicant. FSCL noted that their financial position was considered jointly, irrespective of how they managed their finances. The applicant also had to provide sufficient evidence of the debts.

"Life is inconvenient"[409] FSCL acknowledged the KiwiSaver provider had caused the applicant some stress and inconvenience by failing to advise the correct amount he would be able to withdraw through the financial hardship process. There was also some delay with the implementation of a new hardship application process. FSCL were satisfied the inconvenience caused was within the tolerance that can reasonably be

404 https://fscl.org.nz/case-studies/kiwisaver-savings-are-your-money-but-not-yours-to-spend-yet/
405 https://fscl.org.nz/case-studies/significant-financial-hardship-application-goes-missing/
406 https://fscl.org.nz/case-studies/family-debt-difficulties/
407 https://fscl.org.nz/case-studies/outside-the-box/
408 https://fscl.org.nz/case-studies/whats-the-significance-of-my-partners-funds/
409 https://fscl.org.nz/case-studies/life-is-inconvenient/

expected in the course of everyday life. The applicant wondered whether the KiwiSaver provider would be prepared to pay compensation of $2,000. The KiwiSaver provider came back with an offer of $200 which the applicant accepted.

"Wife's savings are a reasonable alternative source of funds"[410] The applicant's supervisor declined the hardship withdrawal application because the applicant's wife had $30,000 in her savings account. The supervisor explained that under the KiwiSaver Scheme Rules in Schedule 1 of the KiwiSaver Act 2006 (the Act) it was not satisfied that the applicant and his wife had exhausted all reasonable alternative sources of funding. The applicant did not agree that his wife's savings should be taken into consideration when assessing their financial situation. He explained that the mortgage and all the utilities bills were in his name. He considered it his responsibility to meet those family expenses. FSCL explained the supervisor did not view the applicant as an individual, but as a household, because it was the inability to meet household expenses that had caused the financial hardship. FSCL agreed the supervisor had to take the wife's savings into consideration and was entitled to decline the application.

"Private school fees contribute to financial hardship"[411] The applicant's primary school age children had been bullied at two different schools. The applicant felt the children were no longer safe within the public school system and decided they had no option but to move their children to a private school. They were unable to afford the private school fees, placing pressure on an already difficult financial situation. They decided to apply to withdraw money on the grounds of significant financial hardship. The supervisor declined the application. The supervisor said the Workplace Savings Significant Financial Hardship Processing Guidelines (the Old Guidelines) expressly excluded the release of KiwiSaver funds for private school fees. Note that the current FSC Guidance states:

Private school fees could also be included where those costs have already been incurred. It would not generally be reasonable to expect the member to source alternative education arrangements, particularly if it requires time to look at alternative, suitable options.

"KiwiSaver – Savings, but not to be withdrawn at a member's discretion"[412] The applicant ran a small business which unfortunately suffered a downturn in trade, in part, because of the Christchurch earthquakes. He applied to his KiwiSaver scheme to withdraw funds early from his KiwiSaver account because he said he was likely to suffer financial hardship. The supervisor declined the withdrawal application. The business was continuing to lose around $250 each month. He had a business loan, secured by his home, which was around $41,000. He also had a $4300 credit card debt. He also had funds in savings accounts of around $14,000. The applicant was close to retirement age. He argued that even though he had savings and could currently meet his financial commitments, with some financial pressure, his savings would eventually run out because his business was losing money. The supervisor said it had a duty under sections 10 and 11 of the KiwiSaver scheme rules (schedule 1 of the KiwiSaver Act 2006) to determine whether a member was likely to suffer financial hardship and meet minimum living expenses. It also had a duty to be reasonably satisfied that all alternative sources of funding had been explored and exhausted before approving a KiwiSaver withdrawal on the basis of significant financial hardship. Because the applicant still had savings, he had not exhausted all alternative sources of funding. FSCL agreed that the trustee had come to a reasonable decision.

"Significant financial hardship not significant enough"[413] The applicant bought a house in India, intending to use it as a retirement home. The applicant obtained a loan from an Indian bank to buy the house. Unfortunately, interest rates in India increased and the applicant said they could not afford:

- health and life insurance for themselves
- insurance for their pet
- to install a heat pump and separate water lines.

Although they had money in a savings account the applicant said this was needed to pay for their annual visit to India to visit family.

The applicant did not accept the supervisor's decision to decline his application to withdraw funds on the grounds of significant financial hardship and asked FSCL to review the decision. FSCL explained that his situation did not amount to significant financial hardship as contemplated by the KiwiSaver Act 2006.

410 https://fscl.org.nz/case-studies/wifes-savings-are-a-reasonable-alternative-source-of-funds/
411 https://fscl.org.nz/case-studies/private-school-fees-contribute-to-financial-hardship/
412 https://fscl.org.nz/case-studies/kiwisaver-savings-but-not-to-be-withdrawn-at-a-members-discretion/
413 https://fscl.org.nz/case-studies/significant-financial-hardship-not-significant-enough/