VICTORIA UNIVERSITY OF WELLINGTON
TE HERENGA WAKA

Sacrificing tomorrow to survive today:

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

Summary report



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to around 18,000 five years ago".[1] The 45,000 people figure represented about 1.4% of KiwiSaver members and the withdrawn amount in the 2025 year was about 0.4% of total KiwiSaver savings.[2] In dollar terms, financial hardship withdrawals were $264.3 million in the year to 31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 Te Herenga Waka Victoria University of Wellington 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 summary 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. The full report can be accessed from the FinCap website using this link: https://fincap.org.nz/home/blog/2026/vuw-report-on-kiwisaver-hardship-withdrawals-released.

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 their money in KiwiSaver. 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 account. We also recommend that further investigation should be undertaken on the possibility of altering the KiwiSaver scheme to allow 'sidecar savings' which is a separate account that is accessible to the member to meet emergency funding needs. A full list of our findings and recommendations is set out in the next section.

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.

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]

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 Reports 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).
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.

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 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 indicates there is only limited stakeholder support for making hardship withdrawals more difficult to access.

Representative comments made to the researchers 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."

"It's an indicator that the system is working largely as intended."

"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."

"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."

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 or permitted. 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 process. For example, an applicant for hardship could have 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 staffed with people skilled in debt management, was favoured by some stakeholders.

A representative comment from a financial mentor was:

"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."

Several KiwiSaver providers are currently using Debtfix, a charity that helps people get out of serious debt, to process all their hardship withdrawal applications (and are paying for this service). One of these providers commented:

"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."

"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."

Concerns voiced around the idea of a central processing hub (to which all providers would direct hardship withdrawal applications) included that the focus on consideration of all other options might diminish as there would be instead an expectation of receipt of funds from KiwiSaver, that the benefits of financial mentors working in and with the local community might be lost, and how such a service would be funded requires clarification and discussion.

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.

A representative comment from the Retirement Commission on this issue was:

"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."

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. One mentor noted *"a generic application form would be really helpful for financial mentors."* We were told: *"At the moment, every provider has different forms and different requirements."*

We noted that a recent Public Trust initiative may help to create some consistency. 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.[12]

There also appeared to be inconsistencies as between providers in terms of how withdrawal applications were dealt with. Representative comments made to us were:

"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."

Another issue related to lack of information from the provider around how the amount released was calculated. This comment was made to us:

"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." Also: *"They [the withdrawal applicant] may end up spending money on things that aren't essential."*

12 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).

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."

Another 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.

This comment was made to us:

"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."

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.

A representative mentor comment was:

"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."

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."

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.

Representative comments from mentors were:

"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."

"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."

This was a comment from a KiwiSaver provider:

One [account] 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 KiwiSaver provider expressed a more cautious view, stating that they 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 could reduce retirement savings accumulation. Another Retirement Commission interviewee raised concerns regarding complexity and implementation challenges.

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. 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 savings. However, take-up was relatively low and the concept remains at the research and policy development stage.

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 provide 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. The full report contains a discussion of the withdrawal rules and superannuation regimes in each of these jurisdictions.

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.

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 a hardship applicant to a financial mentor as part of the application process when that was considered appropriate (such as when the applicant could not demonstrate that all options had been explored); 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 was made to the relevant supervisor. The clearing house, which could be funded by the providers, 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.

Any such reform would require consideration of funding, quality standards, sector capacity and implications for existing financial mentoring services, and operational requirements.

d. Explore alternative payment mechanisms

Investigate whether hardship withdrawal payments 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.