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Kiwisaver doesn't save Kiwis when in dire straits

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SLIM PICKINGS: No let-out of Kiwisaver for the hard-up.

A RECENT report shows 92% of people who applied to Inland Revenue to have their Kiwisaver contributions refunded due to financial hardship were declined.

The report by government actuary David Benison shows out of 139 applications, only 10 were granted for the year ended June 2009.

It also shows only one of 15 applications made on the grounds of serious illness was approved for payment.

Inland Revenue spokesperson Graham McKerracher was unaware of the report, and unable explain why the number of approved applications was so low.

“Each application for withdrawal of funds under section 113 of the Kiwisaver Act is considered on its individual merits against the criteria established in clause 11 of the Kiwisaver rules,” he said.

The Kiwisaver Act outlines the criteria for financial hardship as being “unable to meet minimum living expenses”.

An inability to meet one’s minimum living expenses is defined as an inability to make mortgage repayments (resulting in mortgagee sale of that home), the inability to meet medical or funeral costs, or the cost of home modifications for a disabled member or their dependants.

Raewyn Fox, of the Federation of Family Budgeting Services, says there are several indicators of significant hardship aside from the loss of a family home.

“Severe financial hardship can result in things like not being able to feed the family, not being

able to get medical attention or living without electricity,” she says.

The act does not acknowledge the cost of rented accommodation, food or essential services such as gas or electricity as minimum living expenses.

Ms Fox says there is a need for clearer guidelines around assessing hardship.

“The hardship criteria are at this stage untested and each provider is deciding for themselves what they mean in the absence of any real guidance.”

In the same period – the year ended June 2009 - more than 7000 bankruptcy applications were made to the Ministry of Economic Development and 29,000 families sought advice from family budgeting services.

Statistics New Zealand reported an additional 48,000 people became unemployed.

In the three months to June that year, the unemployment rate grew by 1 percentage point to 6%, the largest quarterly increase since September 1988.

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