



# KIWISAVER FOR BONDS HOUSING POLICY

OFFICIAL POLICY OF THE NEW ZEALAND YOUNG NATS.  
NOT NATIONAL PARTY POLICY.



## **ISSUE:**

The Young Nats recognise that young New Zealanders need to rent whether as a student, young professional or choosing to live independently. A significant barrier to entering rental accommodation in New Zealand is payment of a rental bond prior to moving in.

## **1. PROPOSAL:**

- 1.1. The Young Nats propose that New Zealanders should be able to access their KiwiSaver for the purpose of paying a rental bond for rental accommodation.

## **2. BACKGROUND**

- 2.1. Whether a young person is a student, graduate or in the early stages of their working career, one of their primary financial priorities is rental accommodation. Entering rental accommodation requires a substantial initial expense being the payment of a rental bond.
- 2.2. The cost of renting is continuing to increase substantially, with the median rent increasing by 8.5% nationally in the past year. The median rent in New Zealand is currently \$575.00 per week. With the standard bond being four weeks rent, the average rental bond in New Zealand is \$2,300.00.<sup>1</sup>
- 2.3. In May 2022, there were 3.2 million individuals enrolled in KiwiSaver.<sup>2</sup> This is a significant proportion of the population that are enrolled in the scheme and could potentially utilise their KiwiSaver for the purpose of a rental bond.
- 2.4. In the past 12 months there has been an increase of those who are homeless and barely able to meet their weekly living expenses.<sup>3</sup>

## **3. IMPLEMENTATION**

- 3.1. The Young Nats propose that the KiwiSaver Act 2006 be amended to include the ability for a KiwiSaver member to drawdown on their KiwiSaver for the purpose of their rental bond payment under a tenancy or boarding agreement. There are two potential implementation methods to be considered:

### **Replication to the First Home Withdrawal Process:**

- 3.2. Currently, Tenancy Services hold rental bonds paid by a Tenant for the duration of their tenancy. As long as the Landlord makes no valid claim against the bond, the bond is refunded in full to the Tenant upon the expiration of the tenancy.<sup>4</sup> We suggest the same process remain, except the Tenant's KiwiSaver provider would pay the bond directly to Tenancy Services upon acceptance of the application.

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<sup>1</sup> "Rental Price Index - February 2022" (6 April 2022) Trade Me Property <[www.trademe.co.nz](http://www.trademe.co.nz)>.

<sup>2</sup> "Ngā tikanga rēhita me ngā pāpātanga puta atu o KiwiSaver KiwiSaver enrolment methods and opt out rates" (1 July 2021) Inland Revenue Te Tari Taake <[www.ird.govt.nz](http://www.ird.govt.nz)>.

<sup>3</sup> Julia Gabel "Soaring cost of living hits many New Zealander hard, study shows" *The New Zealand Herald* (online ed, Auckland, 28 July 2022).

<sup>4</sup> "Bond" Tenancy Services <[www.tenancy.govt.nz](http://www.tenancy.govt.nz)>.

- 3.3. We recommend that the KiwiSaver providers and Tenancy Services operate collaboratively to establish the application process, as Kainga Ora and KiwiSaver providers have for drawdown on individual's KiwiSaver for a first home purchase.<sup>5</sup> We suggest an application form (similar to the KiwiSaver first-home withdrawal forms) be created that can be filled out and submitted to the KiwiSaver provider alongside evidence of a tenancy or boarding agreement.

#### **Guarantee from KiwiSaver Providers**

- 3.4. The process of withdrawing money from KiwiSaver may be administratively onerous for a rental bond that will eventually be returned to the KiwiSaver provider at the conclusion of the respective tenancy. To reduce the administrative burden, we suggest a potential method of implementation would be for KiwiSaver providers to provide a guarantee to the Landlord for the rental bond amount, meaning this amount does not need to be withdrawn and transferred to Tenancy Services.
- 3.5. While we suggest the above two processes, the administration of this policy is a determination for the Party to make more widely.
- 3.6. We acknowledge that paying the rental bond on a property is not an issue that exclusively impacts young New Zealanders. We suggest that the ability to drawdown a rental bond from KiwiSaver apply to all New Zealanders who do not own or have interest in residential property.
- 3.7. Further, we understand that the rental bond can be claimed by a Landlord if there is damage to the rental accommodation. We suggest that if a bond is claimed against successful, then the individual may not exercise the ability to use KiwiSaver for a rental bond in the future.

#### **4. IMPACT**

- 4.1. The ability to utilise KiwiSaver for a rental bond would substantially reduce the initial upfront cost of moving into rental accommodation. Therefore, increasing the accessibility to rental accommodation for many New Zealanders.
- 4.2. A benefit of the introduction of this policy would be a potential alleviation of pressure on Work and Income services, specifically the recoverable assistance payment and advance payment of benefit that are current schemes available for rental bond support.<sup>6</sup>

#### **5. SUMMARY**

- 5.1. KiwiSaver is an asset that majority of New Zealanders contribute to with the traditional purpose of retirement savings or to assist in purchasing a first home. This policy would be an expansion of the existing support for accessibility to housing provided by KiwiSaver, to provide New Zealanders with support to enter rental accommodation.

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<sup>5</sup> "KiwiSaver first-home withdrawal" (19 May 2022) Kāinga Ora <[www.kaingaora.govt.nz](http://www.kaingaora.govt.nz)>.

<sup>6</sup> "Bond and rent in advance" Work and Income Te Hiranga Tangata <[www.workandincome.govt.nz](http://www.workandincome.govt.nz)>.

- 5.2. The drawdown of funds located within KiwiSaver for rental bonds allows for greater assistance without further government expenditure to ensure New Zealanders can enter rental accommodation without the substantial burden of paying a rental bond from their own back pocket.