157 Mahoenui Valley Road

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Auckland

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Dear Sirs

What's My Number?

Utilising the "What's my number" concept so successfully deployed in the retail electricity supply sector, to the retirement saving product – Kiwisaver – is inappropriate, and displays a fundamental lack of understanding of the nature of long-term investments.

Providing an instantly consumable commodity such as electricity can be successfully brought under competitive pressure by price comparisons as has been proved. Electricity is a uniform and heterogeneous product – i.e. there are not varying types of electricity. In other words, it is not possible to pay more to obtain 'better' electricity. It is possible to secure a more reliable delivery service, but as delivery itself has been commoditised, the only remaining variant is price – hence the success of the "What's my number" campaign.

Accumulating funds for retirement is an entirely different type of product for the following reasons;

1. There are differing qualitative aspects to the product providers, e.g., the now defunct Hujlich Funds Management entity versus Grosvenor Investment Services Ltd.

2. There is no common formula used by all providers for delivering the ultimate end result for the consumer.

3. Fees charged have an influence on outcome, but are not a determinant; investment capabilities, consistency of methodology, and movements in markets collectively have a greater impact on returns obtained.

4. Investment yields can be severely impacted by chasing any one input factor highest past performance (no guarantee of future advantage) or lowest fees (no guarantee of better returns).

Any quantitative analysis of performance will reflect the qualitative aspects of management consistency, ability to minimise investment risk, management expertise *and* fees charged. But to isolate one input factor and to suggest that by constantly switching to the lowest charging vehicle the consumer will gain an advantage is disingenuous, simplistic, and quite incorrect.

Kiwisaver has been a credible attempt at influencing New Zealanders to take a positive step toward financial independence in retirement. Political intrusion has hampered the progress of the concept, and making funds accessible to first-time home buyers is a stark example of this interference. Retirement savings vehicles should be single-purpose products which are not accessible for other unrelated uses.

It may be attractive to buy a few votes by opening access to funds to be used as a deposit on a first home, but this political expediency should not be allowed to interfere with the future well-being and prosperity of retirement savers.

If investment behaviour needs to be influenced positively, certain asset classes need to be made more attractive (Kiwisaver) and conversely, other asset classes less attractive (second and subsequent residential investments). Quite simply, a Capital Gains Tax on such investment properties levied a t a rate of 30% between the buying and selling price of the properties will reduce speculation and ease the current price pressure on housing stock as more property becomes available for primary owner-occupier purchases.

This will also eliminate the need to have people steal from their own futures by depleting the most valuable investment element of their accumulation time-span, i.e. the money that is invested earliest and for the longest time, allowing optimal accrual opportunity to occur.

In conclusion, the difference between the best performing Kiwisaver funds and the worst performers is not solely attributable to fees charged. Other quantitative aspects as outlined above are of much more significance and the suggestion that constantly switching to the lowest charging fund will maximise yields is somewhat eccentric to say the least.

Respectfully yours

David Whyte