

# Mackay

## ON MONEY

BY AUTHORISED FINANCIAL ADVISER CHRIS MACKAY



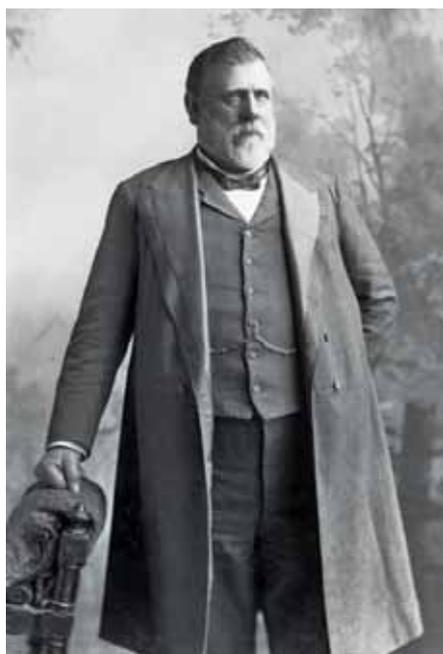
*Richard John Seddon (King Dick) was Prime Minister of New Zealand from 1893 to 1906. He died en route back from a visit to Australia. A really good bloke by most accounts, he was born in Lancashire in the Old Country in 1845. He headed to Bendigo in Australia at 18 where he spent a year or two unsuccessfully digging for gold, before moving to the West Coast in 1866 at age 21. There he had a bit more luck with the old gold, before moving into retail and then selling booze.*

**D**ick initially got into local body politics being elected the first Mayor of Kumara in 1877 and in 1879 stood for and won the seat of Hokitika. He represented Hokitika until 1881, then Kumara to 1890, then Westland until he died in 1906.

The Liberal Party governed New Zealand from 1891 to 1912, initially with John Balance as PM. Balance died in 1893 and King Dick Seddon took over.

The Liberals passed a ton of legislation including such things as the Industrial Conciliation and Arbitration Act, the Factories Act, the Shop Assistants Act, the Wages Protection Bill, the New Zealand Accident Insurance Act, the Destitute Persons Act, the Legitimation Act, the Shipping and Seamen Act, the Coal Miners Act, the Opium Prohibition Amendment Act, the Fire Brigades Act and for those with lofty ideals, the Scaffolding Inspection Act. The Electoral Bill granting women the vote was given Royal Assent in September 1893. Although some other countries had some conditional forms of it, N.Z. was first to grant universal suffrage to women. (Did you know that the Aussies only amended their rules so Aborigines could vote in federal elections, in 1962? It seems not everyone's lucky in the lucky country!)

Forty-eight hours a week was established by law as the normal working time for men in factories. Women and young people got away with a paltry 45 hours. Labour Day was made a public holiday.



Richard John Seddon (22 June 1845 – 10 June 1906), sometimes known as King Dick, is to date the longest serving Prime Minister of New Zealand. He is regarded by some, including historian Keith Sinclair, as one of New Zealand's greatest political leaders.

This was all very good stuff for a young country.

Concurrent with the Liberals early years in power, and after a decade of planning, consultation and voting, the five colonies across the ditch federated and on January 1, 1901 the new Commonwealth of Australia was established. The Aussies wanted New Zealand to join the initial five founding states.

As it turns out King Dick and the Liberals appointed a 10 man Royal Commission to receive submissions and to get a sense of public opinion as to whether this was a good idea.

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The commission "reported unanimously that New Zealand should not become a State of the new Commonwealth of Australia".

Now, good people of Lower and Upper Hutt, this has similar overtones to what is happening with this super city proposal nonsense.

The Local Government Commission plus the Chair of the Wellington Regional Council Fran Wilde (read Australians) seem to want Lower and Upper Hutt and Wellington to amalgamate despite

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New Zealand Federation Royal Commission. Group portrait of 12 unidentified men, taken Jan 1901 by an unidentified photographer.

Lower and Upper Hutt citizens (read New Zealanders) overwhelmingly being against any amalgamation.

To labour the point, the analogy would be Australia doing their Commonwealth Federation amalgamation and then telling us, because they, the Aussies have voted for it, that we have to become part of them notwithstanding that we have voted against it. What an arrogant, outrageous suggestion.

Yet this is what the Local Government Commission want to do with their proposed forced amalgamation.

They don't understand democracy.

They do understand dictatorship. They are behaving like King Dickheads.

Which leads me nicely back to our hero and to one of the revolutionary pieces of legislation Seddon's Liberal government enacted.

The Old-Age Pensions Act of 1898 established a system of old-age pensions.

Listen to this extract from the Act: "Whereas it is equitable that deserving persons who during the prime of life have helped to bear the public burdens of the colony by the payment of taxes, and to open up its resources by their labour and skill, should receive from the colony a pension in their old age ...

Subject to the provisions of this Act, every person of the full age of sixty-five years or upwards shall, whilst in the colony, be entitled to a pension as hereinafter specified. No such person shall be entitled to a pension under this Act unless he fulfils the following conditions:

- That he is residing in the colony
- That he has so resided for not less than 25 years
- That during the period of twelve years preceding he has not be imprisoned for four months, or on four occasions
- That during the period of 25 years immediately, he has not been imprisoned for a term of 5 years with or without hard labour
- That the claimant has not at any time for a period of 6 months or upwards, if a husband deserted his wife or if a wife deserted her husband
- That he is of good moral character and is and has for 5 years preceding been leading a sober and reputable life
- That his yearly income does not amount to £52 pounds

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- That the net capital value of his accumulated property does not amount to £270.

Women could qualify despite the Act referring to “he”.

New Zealand’s modern welfare state could be said to have started with this Act. It was the first of its kind in the British Empire.

It provided small monthly pensions of one pound 10 shillings per month or £18 per year, for the deserving aged and poor from general taxation income.

Based on the general CPI rate from 1898 to today £18 is equivalent to \$3,259 in 2014. Not much but it was a start. It was means and income tested and as you have read, there was some requirement for good character, or worthiness. A single Kiwi living alone, by comparison today receives \$21,931 a year before tax from N.Z. Super.

A negative aspect of the Act was the racist exclusion of “Chinese or other Asiatics”. In addition only about a third of those eligible actually picked up the pension. However, it was world breaking.

Forty years later, the Social Security Act of 1938 brought about a major expansion of welfare including almost all aspects of health care, and it also eliminated means testing.

A major change to state provided benefits occurred in 1974. The Labour government of 1972 – 1975 introduced a funded, portable and compulsory superannuation scheme requiring contributions from employers.

As some of you will well remember with the Cossack dancers across the TV screen, there was a strenuous National Party campaign against the scheme on a number of grounds – that it would destroy other types of schemes and that it would build-up such an enormous fund it would give a government with a socialist bent, inordinate powers. It was abolished in 1975 by the Muldoon government as soon as they got into power. Contrary to some of the nonsense I hear, Muldoon didn’t confiscate the balances that had been accumulated. All personal and company contributions plus earnings were paid out to the members. I know this. I was one of them.

National came up with a scheme which required no funding from sources other than taxation – the most generous public scheme of any in the world at that time.

It was called “National Superannuation” and it was funded by general taxation and included higher levels of benefits and 60 became the new age of eligibility. It kicked off in 1977.

A further major change took place in 1985. The greedy Labour government introduced a surcharge on “other income” earned over a certain level. This included

investment and also earned income. This was despite the fact Labour had promised in the 1984 election the state run superannuation scheme would not be tampered with. People who had saved during their working lives versus those who had blown the lot (a euphemism for doing something liquidy up against a wall and having a flutter at the TAB), were penalised for being good stewards of their money.

The Labour Finance Minister Roger Douglas also got rid of tax incentives for life insurance and super schemes in the late 80s and in 1987 just after the October crash, delivered a coup de grace to the remaining personal pension schemes and company based schemes by further tax penalties. This dumb decision stuffed the N.Z. property and share markets for a few extra years while the rest of the world bounced back quite quickly from Black Monday (or Tuesday depending on what time zone you were in).

*“It provided small monthly pensions of one pound 10 shillings per month or £18 per year, for the deserving aged and poor from general taxation income.”*

A year before the 1990 election I asked Bolger at a Life Underwriters ‘Association meeting at the Oarsman in Petone, when National and Labour would sit down together and formulate a bi-partisan policy on superannuation and he dismissively replied “When Labour abolishes the surcharge”. “Spud” would later promise that National would repeal the surcharge legislation if they won in 1990, which they did, but we should never have read his lips. It actually took the sworn enemy in Winston Peters in coalition several years later to get Jimmy to honour his earlier promise and to do what he said he was going to do.

On April 1, 1990, “National Superannuation” morphed into “Guaranteed Retirement Income” and it is now called “New Zealand Superannuation”.

Under Richard Seddon, the Old Age Pension kicked in at 65 when life expectancy for a new born male was in the mid 50s.

Under Muldoon the pension started at age 60 when male life expectancy at birth was about 70. In the 90s, the commencement date progressively increased back to 65. Some commentators want it to further increase to 67.

Australia has recently announced plans to raise their retirement age to 70. They also means test their super. But then they have a whole lot of tax perks offsetting that penalty. There should be no means or income testing for NZ Superannuation.

John Key has gone on record as saying he won’t tamper with the age or calculations for super and he will resign if he does. He is a top man and won’t go back on his word. Of this I am 100 per cent convinced.

Any government would be mad to change existing rules. There are about 600,000 Kiwis over 65. There will be 1.1 million in 2030. That’s a lot of votes. Those seniors pay and have paid a truck load of taxes over their lives. And furthermore, if they are still working or if they have other investments, then they are still paying taxes.

A responsible government should not shift the goal posts like the dodgy Labourites did in 1985 with the introduction of the surcharge. It’s wrong and immoral when people make future plans based on certain truths to then screw them over.

It would be OK in my mind to signal to under 35-year-olds, that the age of entitlement will increase to age 67 or 70 gradually over the next 25 or 30 years. There’s logic to it in that we are living longer (median age at death in 2011 was 77.5 for males and 83.2 for females) and we’ll probably end up working longer. But you can’t do something radical like this suddenly. Any change should also be bi, tri or quad partisan with agreement by all political parties.

King Dick Seddon was a great man and one of our greatest politicians. John Key may be remembered similarly. He is a class act too. Seddon was Prime Minister for 13 years and should be remembered favourably for repulsing the awful Ockers’ attempts for New Zealand to become an Australian state and also for the introduction of his Old-Age Pensions Act 1898 which established the basis of social security in our country.

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