KiwiSaver significant financial hardship withdrawals – a consumer guide

May 2024

KiwiSaver is a savings scheme to help people save for their retirement.

KiwiSaver members can withdraw their savings when they reach the eligibility age (currently 65 years of age). A member may be able to make a withdrawal before the eligibility age but there are strict rules around when a member can do this.

A member may be able to make an early withdrawal if they are in financial hardship.

What is the application process to withdraw KiwiSaver funds?

The member applies for a significant financial hardship withdrawal through their KiwiSaver provider. The provider gives the withdrawal application to the supervisor of the KiwiSaver scheme. The supervisor is responsible for deciding whether the member can make an early withdrawal.

We encourage members to contact their KiwiSaver provider, before the member submits a withdrawal application, to discuss their financial circumstances and the withdrawal process, including the information the member will need to give the provider to support their withdrawal application.

The information needed depends on the reasons for why the member is in hardship. The supervisor may also need information from the member's spouse or partner (or other people in the member's household that contribute financially to the day-to-day running of the home).

What is the threshold for a significant financial hardship withdrawal?

The threshold for a significant financial hardship withdrawal is very high. A member can only make a withdrawal if the supervisor is reasonably satisfied:

- the member is suffering, or is likely to suffer from, significant financial hardship

- reasonable alternative sources of funding have been explored and have been exhausted.

Significant financial hardship means significant financial difficulties that arise – for example, because:

- the member cannot meet their minimum living expenses
- the member cannot meet their loan repayments on their family home and the lender is seeking to take enforcement action (a mortgagee sale)
- of medical treatment costs for the member or a dependent
- of funeral costs for a dependent.

The supervisor cannot approve the withdrawal if it is not reasonably satisfied, based on the evidence before it, that the member meets the withdrawal criteria.

A withdrawal is essentially a last resort where the member has no other way to meet their minimum living expenses or other costs which are causing them financial difficulties.

How much can the member withdraw?

The supervisor can direct that the amount withdrawn is limited to the amount that the supervisor believes is required to alleviate the member's hardship. This means that sometimes a supervisor will approve a withdrawal but it is less than the amount the member wants to withdraw.

When considering a withdrawal application where the member cannot meet their minimum living expenses, the supervisor usually considers the amount required to assist with the member's budget shortfall for the next 13 weeks.

We sometimes receive complaints where the member wants an early withdrawal so they can repay debt early. The supervisor may be able to approve a withdrawal so the member can meet their minimum debt repayments and pay arrears, but the supervisor usually cannot approve a withdrawal so the member can repay their debt early.

The member cannot withdraw government contributions from their KiwiSaver account.

What is FSCL's role?

FSCL can investigate complaints about the supervisor's decision to decline (or partially decline) a withdrawal application.

FSCL cannot require the supervisor to approve the withdrawal application, but we can encourage the supervisor to reconsider the application if we conclude the supervisor did not make a reasonable decision or that it made a mistake that affected the outcome of the application.

If we conclude the supervisor's decision was reasonable, we're unlikely to uphold the complaint and will suggest to the member that they should discontinue the complaint.

Case notes

The following are examples of cases about withdrawals we have considered. Each case turns on its facts. More case notes are on our website.

Declined KiwiSaver significant financial hardship withdrawal

In Richard's case, we concluded that the supervisor's decision to decline an early withdrawal to pay for Richard's daughter's orthodontic treatment was reasonable. Richard had not shown that the treatment was needed for medical reasons (as opposed to cosmetic reasons).

In any event, Richard's family had another source of funds they could use to pay for the treatment. They had savings, earmarked for overseas travel to visit family, that they could use to pay for the treatment.

Can you use KiwiSaver to repay debt?

In Tina's case, we concluded that the supervisor had correctly applied the law when they declined a withdrawal to repay debt.

Tina wanted to use her savings to repay debt to help make her financial position more manageable. The supervisor approved a withdrawal to repay loan arrears, to prevent Tina's car from being repossessed, but they declined Tina's request for funds to repay her debts. A supervisor may approve a withdrawal so the member can pay their minimum debt repayments but it is very unlikely a supervisor will approve a withdrawal to repay the debt in full.

More information about KiwiSaver early withdrawals and financial hardship

FSCL have a consumer guide about early KiwiSaver withdrawals on our website.

The Financial Services Council NZ have developed guidelines about significant financial hardship withdrawals. The non-binding guidelines were developed for KiwiSaver providers, supervisors, and lawyers to bring consistency across the industry and drive good customer outcomes. FSCL consider the guidelines when investigating complaints. The guidelines are available on the Financial Services Council NZ's website.

MoneyTalks is a free service which helps people and whānau with day-to-day money matters like budgeting and debt management. MoneyTalks can also help people and whānau find their way through processes to access government assistance and find community organisations that help people and whānau in hardship, such as food banks.