UK retirees benefits from close ties

New Zealand has much to offer new migrants, wide open spaces, mountains to climb, lakes to fish, beaches to swim and breath taking scenery that looks even better in real life than on a movie screen. New arrivals agree with 65,900 migrants over the last 12 months setting new records, beating the previous high of 43,500.

As a Financial Adviser with a specialty in UK pension transfers, I meet many of our new residents, particularly from the British Isles. Financially, one of the main questions is "What retirement income will be available?" The answer is quite simple, yet one that seems to cause confusion.

To qualify for a New Zealand Superannuation payment, the applicant must be aged 65 or over, a NZ Citizen or permanent resident and normally live in NZ at the time of application. Here is the confusing part; there is also a 10 year rule where the applicant must have lived in NZ for at least 10 years since the age of 20 with five of those years since the age of 50.

However where NZ holds a reciprocal social security agreement with a particular country then the 10 year rule may be ignored. According to Work and Income, NZ has agreements with ten countries including the United Kingdom.

With this in mind, a new migrant arriving from the UK, could potentially receive NZ Superannuation once permanent residency is granted and the person reaches 65 years of age. The retiree then has a choice to make; either receive the retirement benefit from their home country or to "swap" it for a NZ Superannuation payment. This might depend on a number of factors, including long term intentions and the effect of currency. If making a swap, any state pension that the person is due to receive from the UK will be paid to the NZ government and the retiree will then receive the full NZ Superannuation payment which could be more than the payment from their home country. This arrangement helps to offset the cost to the NZ government and the NZ taxpayer, while the retiree is in the same or slightly better financial position.

There is a clause in most countries legislation, including NZ, that prevents a person from 'double dipping', or claiming two lots of Government state pensions at the same time. Many new residents will have private pension schemes or workplace schemes for additional retirement savings. These private schemes have no impact on Superannuation payments.

If for some reason, a New Zealander decides to move to the UK and retire, the reciprocal agreement provides for a state pension to be paid in the UK. Quite an advantage but for me, I'd miss the lifestyle too much.

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