

KiwiSaver serious illness 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 can apply to make an early withdrawal if they have a serious illness. The supervisor of the member's KiwiSaver scheme is responsible for deciding whether the member can make a serious illness withdrawal.

FSCCL can investigate a complaint about the supervisor's decision to decline a serious illness withdrawal, but we cannot require the supervisor to approve the withdrawal application. We can, however, encourage the supervisor to reconsider the application if we conclude that the supervisor did not make a reasonable decision or that they made a mistake that affected the outcome of the application.

If we conclude that 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.

When can a member make a serious illness withdrawal?

The threshold for a serious illness withdrawal is very high. A member can only make a serious illness withdrawal if the supervisor is reasonably satisfied the member is suffering from serious illness.

Serious illness means an injury, illness, or disability that either:

- > poses a serious and imminent risk of death, or
- > results in the member being totally and permanently unable to engage in work for which they are suited by reason of experience, education, or training.

FSCL take ‘imminent’ to mean that death must be about to happen, or is very likely to happen, in the next 6–18 months.

The member needs to give the supervisor medical evidence to support their withdrawal application.

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

A member who is not eligible for a serious illness withdrawal may be able to make a significant financial hardship withdrawal instead. For example, a member who wants to make an early withdrawal to pay for non-palliative medical treatment or other costs related to their medical condition may be able to apply on the grounds of significant financial hardship. The supervisor will need to consider the member’s financial situation when considering this type of withdrawal.

Case notes

The following are examples of cases about serious illness withdrawals we have considered. Each case turns on its facts. More case notes are on [our website](#).

[KiwiSaver withdrawal to pay for bariatric surgery declined](#)

In Ava’s case, we found that the supervisor had reasonable grounds to decline Ava’s serious illness withdrawal, which she wanted to use to pay for bariatric surgery. The medical evidence the supervisor had from Ava and her doctor did not support that Ava’s medical conditions posed an imminent risk of death.

Even if there had been evidence to support this, the surgery was expected to improve Ava’s health. The surgery made it even less likely that Ava would face a serious and imminent risk of death. A supervisor can consider medical treatments that are reasonably available to the member when deciding whether the member’s medical condition poses a serious and imminent risk of death.

[KiwiSaver funds for weight-loss surgery](#)

Ishaan’s case was similar to Ava’s. Ishaan also wanted to make a serious illness withdrawal to pay for bariatric surgery. We were satisfied the supervisor’s decision to decline Ishaan’s application was reasonable. Ishaan’s weight affected his work but he was not permanently unable to work. He could still do many elements of his job, and he was expected to return to work after his surgery.

[Serious illness and KiwiSaver withdrawal](#)

In Ravi's case, his original application for a serious illness withdrawal was not approved. The supervisor subsequently approved the application when Ravi was able to give the supervisor medical evidence to support that he was permanently unable to work because of his illnesses.

More information about KiwiSaver early withdrawals

FSCL have consumer guides about [KiwiSaver early withdrawals](#) and [KiwiSaver significant financial hardship withdrawals](#) on our website.

Financial Services Council NZ have industry guidelines about serious illness withdrawals on their [website](#). The non-binding guidelines were developed to bring consistency across the industry and to drive good customer outcomes. FSCL consider the guidelines when investigating complaints about serious illness withdrawals.