

KiwiSaver facts at a glance.....

Eligibility

- All resident New Zealanders aged 0-64
- Participation is voluntary

Opting In

- Any eligible person can opt in
- If you opt in, you can't opt out, but after 12 months you can take a "contribution holiday" of up to 5 years
- Non-employees can opt in by contacting a scheme provider directly

Employee contributions

- Employees can elect to contribute either 4% or 8% of gross salary or wages
- They can apply for a contributions holiday – immediately if for financial hardship or otherwise after 12 months, of up to 5 years
- Contributions are made through the PAYE system
- Additional contributions outside of either 4% or 8% must be made directly to the scheme provider

Withdrawals

- KiwiSaver funds are 'locked' in until the later of retirement age or five years membership. Earlier withdrawal may be allowed for:
 - First home purchase (after three years)
 - Significant financial hardship
 - Serious illness
 - Permanent emigration
- A member can divert up to half of their contributions towards repaying the mortgage on their own home, after 12 months membership

Employer contributions

- Employer contributions are voluntary from 1 July 2007 and can count towards employee's required contribution if so chosen
- Employer contributions are compulsory from 1 April 2008 at the rates below and can no longer count towards employee's contribution

Year	Rate
1 April 2008 – 31 March 2009	1%
1 April 2009 – 31 March 2010	2%
1 April 2010 – 31 March 2011	3%
1 April 2011 – 31 March 2012	4%

- There is an exemption from SSCWT up to 4% of employee's gross income
- Employers are eligible for the employer's tax credit from 1 April 2008

Government contributions

- Upfront contribution of \$1,000 (kick-start)
- Tax credit equal to employee's contribution to maximum of \$1,040 pa, credited directly to their KiwiSaver account

- From 1 April 2008 tax credit (subsidy) to employers equal to contributions made by employer to maximum of \$1,040 pa
- Subsidy towards scheme fees – up to \$40 pa per employee

Are the Tax Incentives worth it?

Assuming an individual with:

- Salary of \$50,000
- Joins KiwiSaver 1 July 2007
- Makes employee contribution of 4%

After 10 years the total government subsidies in today's \$ are: **\$11,400**

This is made up of:

- \$1,000 Government kick start
- \$400 Government fee subsidy
- \$10,400 Government tax credit

Plus, employer contributions made from 1 April 2008 of 1% increasing to 4% by April 2011 total **\$15,000** and receive a tax credit of **\$8,780**

Year	Rate	Employer Contribution	Employer Tax Credit	Employer Net Cost
2	1%	500	500	-
3	2%	1,000	1,000	-
4	3%	1,500	1,040	460
5	4%	2,000	1,040	960
6	4%	2,000	1,040	960
7	4%	2,000	1,040	960
8	4%	2,000	1,040	960
9	4%	2,000	1,040	960
10	4%	2,000	1,040	960
		15,000	8,780	6,220

Self Employed/Shareholder-Employees

- People who are self-employed are not considered 'employees' for KiwiSaver. But they can still join KiwiSaver by contributing directly to a scheme provider
- They are eligible for the Government 'kickstart' and tax credits
- There is no requirement for employer contributions and therefore they are ineligible for the employer tax credit
- However, shareholders that are on the payroll for PAYE will qualify as employees for KiwiSaver

KiwiSaver Schemes

- There are a number of registered scheme providers to choose from, each offering several schemes depending on member's attitude to risk
- If employees are unable to decide on a scheme the IRD will allocate a default provider
- Passively traded, index tracker type funds, will incur the lowest fees and provide market returns over time.