Live sorted

KiwiSaver

How to make the most of it

How KiwiSaver works

Sooner the better

Optimising your contributions

Which fund suits?

How KiwiSaver works

KiwiSaver is one of the easiest ways to get ahead financially.

Investing our savings in KiwiSaver means we're paying a fund manager to buy assets on our behalf. Each fund holds a mix of investments, and which type they fit into is based on how much of the more risky stuff, like shares and commercial property, is in the mix. The more risk you take on, the more potential you have for better results, but your balance will have more ups and downs along the way.

(For more on investing in general, go to **sorted.org.nz**, **smartinvestor.sorted.org.nz** or see our investing booklet.)

You're opted in

Membership in KiwiSaver is voluntary and open to all New Zealanders living here. So anyone who is not yet a member can join at any time.

People who are 18 or over and starting a new job are automatically enrolled. We can opt out, but once we join we have to contribute for at least 12 months.

You build a nest egg

Every time we're paid, we automatically contribute 3%, 4%, 6%, 8% or even 10% of our pay (we choose the amount) before tax is deducted to our KiwiSaver account.

After paying in for 12 months, we can suspend our savings for a year at a time or carry on as before. We can't touch that money (with some exceptions) until we have reached 65.

Employers pitch in

Employers must match our contributions to KiwiSaver, at a minimum of 3% of our pay. If an employer already contributes to another superannuation plan, that amount may be offset against the KiwiSaver contribution. An employer may contribute more than these amounts, too.

It's for non-employees, too

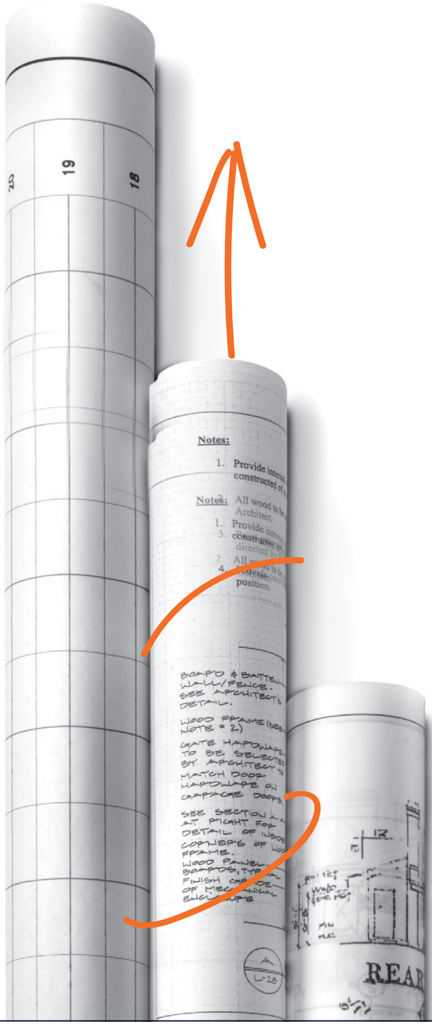
Anyone who's not employed or is self-employed can join KiwiSaver by contacting a scheme provider directly. How much we contribute and how often can be organised with the provider. We may not be getting an employer's contribution, but we will still get some money from the government.

You can get a big five hundy each year

KiwiSaver members who are 18 or over get a government contribution. For every $1 we contribute, the government matches it with 50c, up to $521 per year. This is paid into our KiwiSaver accounts annually. So the goal is to get at least $1043 into our accounts by mid-June each year in order to get the government money. That's basically $20 a week.

You can take KiwiSaver with you

If we change jobs or leave the workforce, our KiwiSaver account comes with us.



There's a lot you can achieve

A KiwiSaver account is much more than a traditional savings account – while the contributions may be regular, the money flows into a specific investment fund.

The money going in is invested for us by a fund manager, so there are returns from our investments as well.

It's important to know that it's not government guaranteed, and our investment accounts can go up and down in value.

Contributions to our accounts actually come from four sources:

- Our savings, typically 3%, 4%, 6%, 8% or 10% of our pay
- Our employer's matching 3% (if we're employed)
- The government's member tax credit of up to $521 a year
- Returns from our investments

How KiwiSaver can help you get in your first home

Although KiwiSaver was made for long-term investing for retirement, it can also be used for a first home. After all, owning your home sets you up for wellbeing in retirement as well.

KiwiSaver first-home withdrawal

Typically you'll need 20% of the house price for your first-home deposit – which is a big ask – but happily you can withdraw your KiwiSaver money for all or part of it if you're eligible.

After being in KiwiSaver for three years, first-home buyers may be able to make a one-off withdrawal from our KiwiSaver (as long as we leave $1000 in our account).

If you are purchasing with your partner or friends, each of you can withdraw from your KiwiSaver. You'll have different balances, so you can withdraw as much or as little as you need.

You apply to withdraw directly with your KiwiSaver provider.

KiwiSaver First Home Grant

The government may also offer up to $5000 towards buying an older, existing house and up to $10,000 towards a new one or land to build a new house on. If we've already owned a home but are in the same position as a first-home buyer, we may also qualify for these advantages.

You apply for the grant with Kāinga Ora, the government agency.

For more information see **kaingaora.govt.nz.**

The first-home withdrawal process

1. Get preapproved for a First Home Grant.

A preapproval for the First Home Grant is valid for 6 months, so even if you are undecided on a property, it helps to have this done. But if you have already made a successful offer on a property and don't have preapproval, you'll need to apply at least 4 weeks before settlement for a First Home Grant on the Kainga Ora website.

2. Contact your provider to start the withdawal process.

Typically your KiwiSaver provider will need 10 working days to process your first-home withdrawal, but sometimes there can be delays.

If you don't have your KiwiSaver money before settlement, you won't be able to use it. Allow enough time before your settlement date to avoid stress.

3. Put together your supporting documents.

You'll need:

- Certified ID and proof of address
- A bank deposit slip for your solicitor's trust account
- A copy of the sale and purchase agreement for the property

Either:

- A letter of undertaking – (conditional agreement)
- A letter of undertaking – (unconditional agreement)

4. Submit your application to your KiwiSaver provider.

The form will include a statutory declaration, which will need to be witnessed by a lawyer or justice of the peace, for example. Send in your documents with your application.

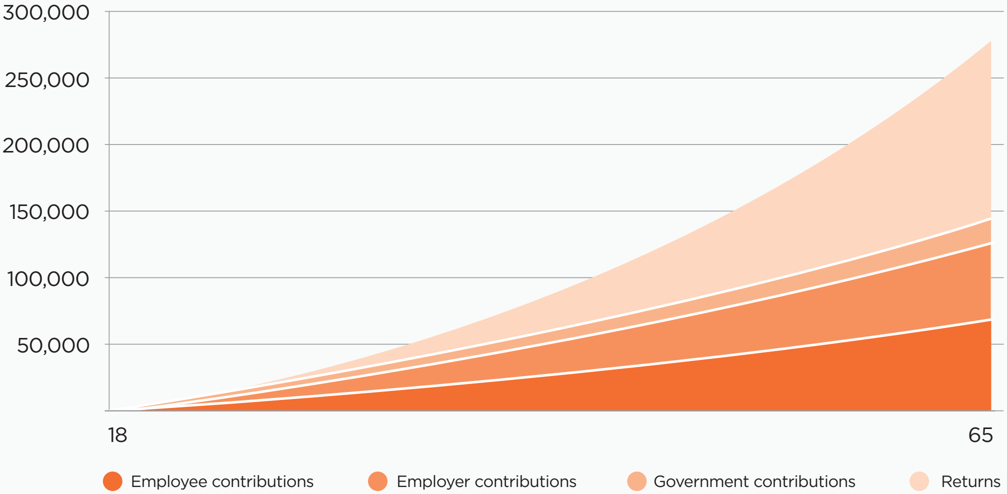
It will help to call or email your provider to make sure they received it. They should start to process it within 3 business days.

5. Receive your money in your solicitor's account.

On your settlement date, your lawyer will pass your money on to the seller's lawyer, and you'll receive the deeds to ownership and the keys to the property, which is now yours.

For more on the property-buying process in general, see **settled.govt.nz**

Sooner the better



Serious money in the long run. An 18 year old earning a salary of $35,000 who contributes 3% to a KiwiSaver growth fund would typically have close to $282,841 when they reach 65. Over those 47 years, they would have put in $69,450, their employer $57,300, the government $15,780, and investment returns would have earned them $140,311. (Figures here are after fees, taxes and inflation.)

The important thing is that the earlier we start and the more we contribute, the better results we can achieve. There is a cost for delaying!

Run the numbers and see what your contributions could add up to by the time you're 65.

Try **Sorted's KiwiSaver calculator** to see what your potential results could be on **sorted.org.nz**

The power of compound interest

Over long periods of time, we can take advantage of what Einstein called the "eighth wonder of the world": compound interest. This is when interest earns even more interest, like a snowball grows as it rolls downhill.

With KiwiSaver, when our investment returns are left in our accounts and reinvested, they generate many more returns themselves and really supercharge our results.

Which fund suits?

We need to get savvy about how and where we're investing. With KiwiSaver, everyone needs to make a choice about which fund to be in.

Sorted's KiwiSaver fund finder

Sorted's **KiwiSaver fund finder** can help us find the right fund to suit our individual needs – based on how much time we have to invest and our attitude towards ups and downs in the market.

Sorted's KiwiSaver fund finder tool also lets us see all the different funds of that type and sort through them by fees, services and past results.

Getting advice from an independent financial adviser can be worthwhile when choosing. Yet no one can tell us which fund is best for us – we need to decide that for ourselves.

Returns and fees are important

Choosing a fund just because it's performed well in the past is not a great way to predict future returns. However, if a fund has consistently had poor results, that might be a sign of poor management and a reason to look at others.

It's important to look at returns after fees, which are the net returns. This helps us to see the money that actually goes into our KiwiSaver account.

Sorted's KiwiSaver fund finder lets us sort through funds by how much they cost, and estimates how much we'll pay in fees in a given fund until we're 65. We're talking about tens of thousands of dollars!

We all need to decide what's reasonable to pay for the range of services and results we're getting, and pick the right fund for us.

Check out **Sorted's guide on investing** for more information about returns and fees.

What to consider when choosing a fund:

- The right level of risk for you
- The time frame you want to invest for (i.e. are you going to be using it for a first home or your retirement?)

Choosing the right fund makes a big difference to our results in the long run. Yet many of us have not made an active choice about which fund to be in.

We've grouped the hundreds of KiwiSaver funds into five types to make things easier. Once you discover which is right for you, it's much simpler to find a fund of that type.

	Defensive	Conservative	Balanced	Growth	Aggressive
Your level of risk					
Likely ups and downs					
Potential results					
Invest for at least	**1-3** years	**2-6** years	**5-12** years	**10** years	**13** years

Jane finds her fund

"Would you like to bring your KiwiSaver over to us? You'll be able to see all your balances together."

Meeting with her banker on another matter, Jane quickly responds "yes" – all too quickly. She agrees to switch her existing KiwiSaver account over from her current provider, without paying attention to what fund her money's ending up in. Is it the right one for her?

A couple of months later she hears about the KiwiSaver tools on **sorted.org.nz** and decides to plug in her details and have a closer look at the fund she ended up with.

She checks her fund in the KiwiSaver fund finder and is disheartened to find that she had unknowingly switched to a fund that seems costly. Running her numbers, she realises that if she keeps going, she'll end up paying $34,400 in fees – is it worth it? There is no way of telling.

Using the KiwiSaver fund finder, she answers the questionnaire and figures out the type of fund with the right level of risk for her situation – "growth" funds. Then she quickly sorts through the growth funds on offer from all the KiwiSaver providers (not just her bank). She can easily see what the funds cost and the range of services she would get in return.

She also checks out how the funds have performed in the past (after fees and taxes have been taken out). Although there is no way of telling if they will do as well in the future, she can avoid those that have been consistently low.

Settling on a fund that is right for her, she contacts the KiwiSaver provider and makes the switch – and they do most of the work to make it happen.

Optimising your KiwiSaver contributions

Find out how much you're contributing

Your KiwiSaver provider will send you regular statements and can tell you your overall KiwiSaver account balance, the return on your investment, and details of any contributions paid directly to them.

In addition, you can keep track of the KiwiSaver contributions that you (and your employer) have paid to Inland Revenue by registering for My KiwiSaver on the **Inland Revenue KiwiSaver website**.

Change how much you're contributing

You can change your contribution rate by contacting:

- Your employer if you are employed – notify them in writing of the change, or complete a new KS2 form (which you can get from your employer)
- Your KiwiSaver provider if you're not employed (for example, self-employed or not working)

Top up your KiwiSaver with voluntary contributions

You can make voluntary contributions (lump sums or regular automatic payments) into your KiwiSaver account at any time, either directly to your KiwiSaver provider or through Inland Revenue.

To get the full 'member tax credit' of $521 each year you'll need to have made an annual contribution of at least $1043 by mid June.

Live sorted

Where to now?

1. Joined KiwiSaver?

2. Found the right fund?

3. Contributing regularly?

Next steps:

e.g. visit **sorted.org.nz/fundfinder** to compare your KiwiSaver funds and find the one that suits us best.

KiwiSaver

Notes:

Issued: February 2023