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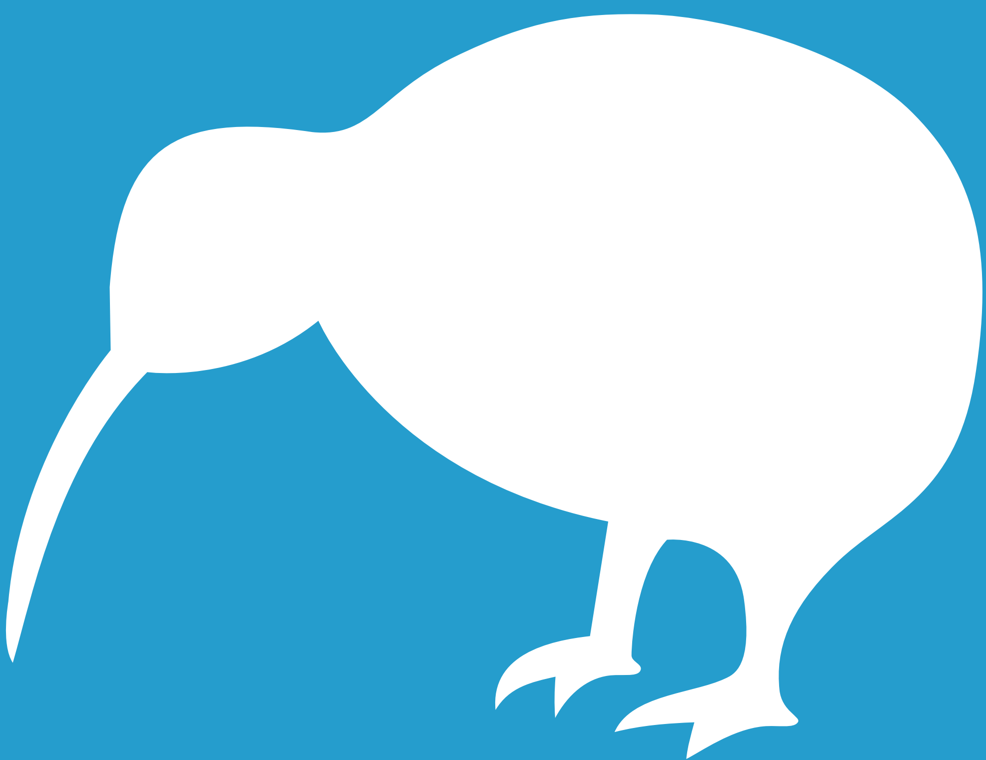
Updated

KiwiSaver Guide

This Guide is Specifically Designed to Help Anyone Looking To Maximise thier KiwiSaver Savings Account

This guide covers how to start with KiwiSaver, which funds and providers are best and how to use KiwiSaver for your First Home and then your Reitrement



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welcome!

It's Free Money..

We always find it odd when we come across someone that doesn't have KiwiSaver. Even if you are self-employed there are huge benefits to having a KiwiSaver account.

Having KiwiSaver should be the first thing on your to-do list.

There is a huge difference between KiwiSaver providers, which funds they put your money into, and what exponential growth you can experience based on what you set your contributions at.

The best part? KiwiSaver can be used twice. Once for when you buy your first home and then again when you retire (because let's be honest most New Zealanders are not going to have enough money to retire on if left to their own devices.

This guide encompasses everything that is KiwiSaver related and will help you understand what is best for you and the way you want to use your KiwiSaver.

KiwiSaver is optional for you. If you enroll then your employer will automatically deduct between 3% of your pay to be put with your KiwiSaver provider, along with a 3% contribution from your employer.

The government will also give you $521 towards this provider each year as long as you met the minimum contribution amount of $1042.

This money is then used to earn you more money depending on what fund you have chosen for your money to be invested in. There is a very large difference in fund choice and performance depending on what you are going to use your money for and the risk profile you have. This guide will help choose which is best for you.

Does Money Grow On Tree's?

A KiwiSaver scheme is a name for the companies you give your money to & where your savings are invested.

Know this first: There are a number of things to think about when choosing a scheme, such as performance, risk level, and fees, as well as any specific features that are important to you such as ethical and social investment options. We have comprehensive information to help you choose a provider and scheme.

You can choose from a wide range of schemes offered by a variety of providers; from the big-name banks, insurance companies, and investment managers, to specialist or boutique managers. Once you've joined KiwiSaver, your primary relationship will be with your KiwiSaver scheme provider.

All KiwiSaver schemes are regulated by the Financial Markets Authority in a similar way to other registered superannuation schemes. There are additional measures in place to make sure KiwiSaver schemes are competitive and members' best interests are looked after. For example:

- All KiwiSaver schemes are required to have fees that are reasonable
- Default providers have a special contract with Government that requires them to meet additional reporting requirements, and
- Default providers' activities and their default investment funds are closely monitored.

This means that your KiwiSaver money is safe and secure; even though it might go up and down in value based on the market.

First Home Buyers

KiwiSaver; For A First Home

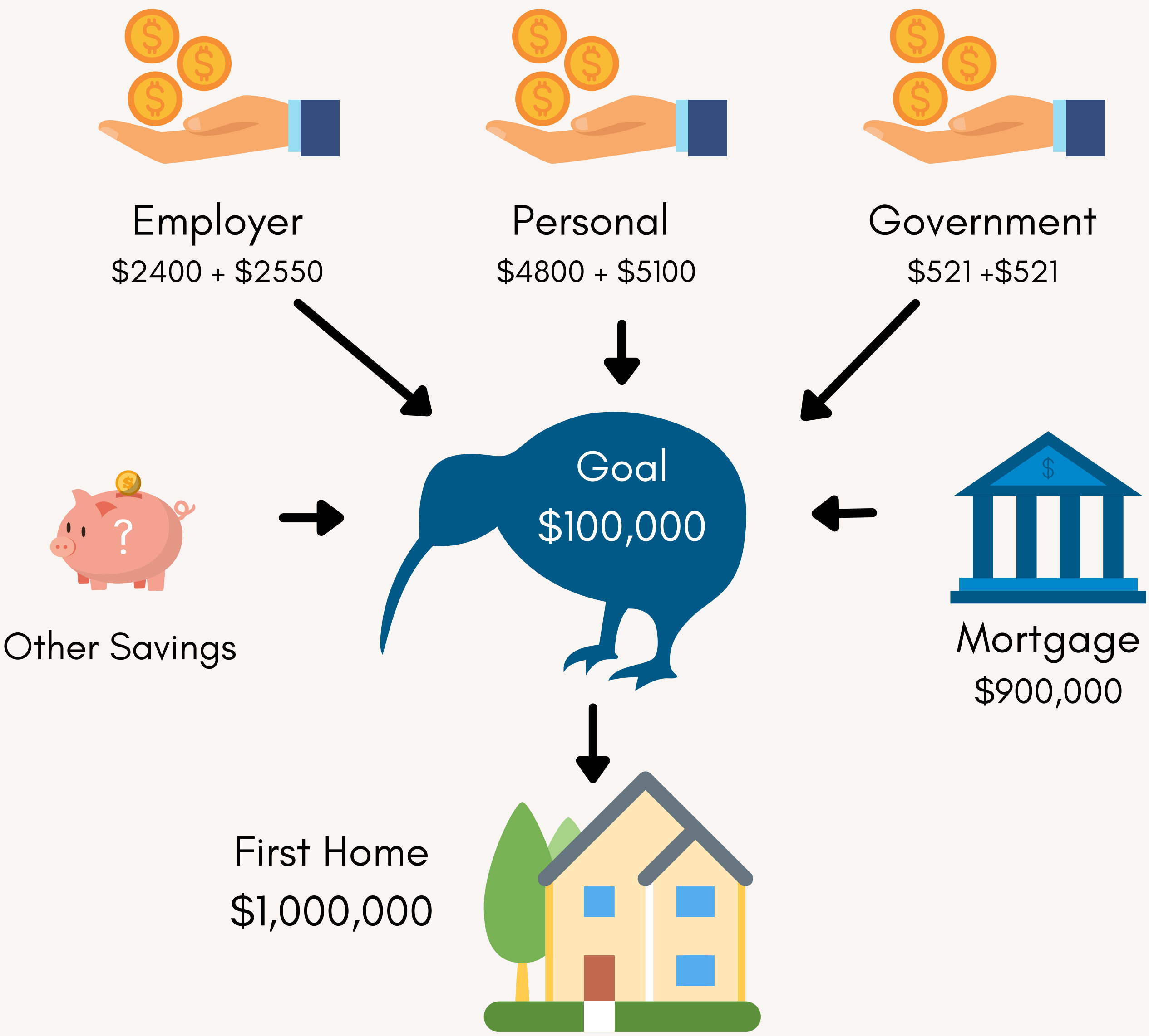
Case Study; Joe & Amy to Buy a House for $1,000,000

Joe Earns $80,000 and Amy earns $85,000 per year

To buy a home they need to reach a deposit size of $100,000

They both set their KiwiSaver contributions to 6% which is $4800 & $5100 a year. They also get 3% from their employers ($2400 + $2550) and $521 each from the government.

A total of $15,892 per year. This will take them 6 years to save for their deposit if they rely on KiwiSaver alone. (but they should also be saving money alongside this)



First Home Buyers

KiwiSaver; For A First Home

The way you set up your KiwiSaver heavily depends on what you are going to use it for.

KiwiSaver has two main uses and can be used for each of these scenarios once only. One time for buying a first home and then again for retirement when you hit 65 years old.

If you already own a property and want to use KiwiSaver for another purchase then you won't be able to as you won't be withdrawing KiwiSaver for your first home.

What some things to consider when setting up your KiwiSaver for a First-Home Withdrawal?

Contributions; As you want to save as much as possible as quick as possible you could consider increasing your contribution to a higher percentage. Instead of 3%, you could contribute 4%, 8%, or even 10%. Whatever you choose please make sure you can still afford your day-to-day living expenses. The benefit of having this extra money contributed into a KiwiSaver Fund over a normal savings account is that you won't be tempted to use the money on holidays, cars, or anything else as you will not be able to withdraw it until you have a house under contract.

Fund Selection; The higher the risk, usually means the higher returns- but if you have $100,000's in your KiwiSaver and are going to use it soon then having the drastic up-down movement of a Growth Fund is probably not the best plan. These up and down movements are less drastic in Conversive funds and most people choose these funds when looking at buying a house in the near future.

Provider; This is important because of the fees, performance, and ease of use. Some providers are specialized and only do KwiwSaver - these tend to be the best. Some providers make it a lot easier than others to change funds, contributions and actually withdraw the funds than others.

Choosing which of the above settings is a very personal choice based on your situation; for this reason, we will always suggest getting in touch with a professional to manage your KiwiSaver. It doesn't cost you anything and can make a difference in how long it will take to reach your savings goal.

Click here to speak to a KiwiSaver Expert

Chosing a Provider

You can, at any time, choose to join the KiwiSaver provider of your choice.

If you're automatically enrolled you'll be provisionally allocated to your employer's chosen provider or to a default provider. You can choose to stay with that provider or change to a different one.

You can change schemes at any time.

Employer-chosen providers
Your employer can choose to have a preferred KiwiSaver provider for employees who don't choose one of their own. All new permanent employees must be eligible to be members of the scheme. If you're automatically enrolled in KiwiSaver you'll be provisionally allocated to your employer's chosen provider

Default KiwiSaver providers
If you don't choose a scheme for yourself, and your employer doesn't have a chosen scheme, Inland Revenue will allocate you to one of the nine government-appointed default providers:

Who are the new default providers?
There are now 6 KiwiSaver default providers:

1. Bank of New Zealand
2. Booster
3. BT Funds Management (Westpac)
4. Kiwi Wealth (Kiwibank)
5. Simplicity
6. Smartshares

The new list takes effect on Wednesday 1 December 2021.

Are the default providers the best?

Sometimes.. It's complicated as each provider has a number of different funds where they can invest your money.

Depending on what your goal is then certain funds at different providers may suit you best.

The most important things to think about when choosing a provider is WHY you have KiwiSaver and WHAT you are going to use it for. Then you want to look into the performance and fees of that fund. Note; these fees are not for you to pay but rather taken out of the profits your fund earns you.

Must-Know KiwiSaver Facts

Understanding the benefits and restrictions of KiwiSaver is crucial to make sure it's right for you. While we see KiwiSaver as all benefits with no downsides, it's not right for everyone as individual financial circumstances vary. Nonetheless, our ten must-know facts below cover the essential details.

KiwiSaver is voluntary and free to join, but there are ongoing fees

When you join KiwiSaver, you either pick a fund you want to invest in or if you can't decide, the IRD picks one for you. After that, your employer must contribute the value of 3% of your gross salary into your KiwiSaver fund. You will also have to contribute at least 3% of the gross amount. The only fees you'll pay are those charged by your fund, which comprises of two annual fees. There is a management fee, usually anything from 0.25% to 2.00% of the value of your fund, plus a membership fee (generally under $50). If you had $10,000 in a KiwiSaver fund that charges 0.50% management fee and $30 annual fee, you would pay $80 ($50 + $30) per year.

KiwiSaver makes you financially better off overall if you join In almost all cases

The average New Zealander will be worse off in the long-term if they don't contribute to a KiwiSaver fund. Our example of 'Max' explains things better:

- Max earns $50,000 a year, and by joining KiwiSaver is effectively getting a pay rise of $1,500 per year (3% of $50,000).
- This $1,500 is paid directly to the fund Max selected when he joined.
- Max has to contribute from his gross salary and select the minimum payment, 3%.
- This means Max receives at least $1,500 less in his bank account per year, as it will be going to his KiwiSaver
- Despite this short-term decrease, Max's retirement fund investment is increasing $3,521 per year, due to the additional $521 from the government each year.
- Assuming Max does this each year for 35 years this could be as much as $345,000 by the time of his retirement; if you average a 5% after-tax return per year.

The Government gives you an annual payment for contributing to KiwiSaver

If you invest over $1,100 per year in your KiwiSaver fund, the government will add in another $521 every year. These contributions soon add up - over 40 years, government contributions can be worth over $20,000, plus the interest that this money will earn for you.

Being a KiwiSaver member gives you first-home ownership help
KiwiSaver members can withdraw their investment to put down a deposit for their first home. With banks now needing at least 10% to 20% as a deposit, a KiwiSaver balance can be a big help. This scheme is called the KiwiSaver First-home Withdrawal.

You decide how your money is invested by picking an 'appropriate' fund
KiwiSaver can be as low-risk or high-risk as you want. Generally, each scheme (i.e. Simplicity, Westpac or Milford) will provide 3-5 funds to pick from. These are usually known as:

Conservative Funds – these funds are largely in fixed-income and cash deposits (80%), with some exposure to investments in the share market (20%). Most of the fund's return can be predicted year-on-year, and this is, generally, the safest fund type available.

Balanced Funds – these funds are a bridge between the Conservative fund above and the Growth fund below, offering a midway point for someone looking for higher returns without high risk. As such, a Balanced fund will usually invest 50% of its money into shares, and 50% in fixed-income and cash.

Growth Funds – these are the most aggressive fund offered, with usually around 80% or 90% of the money invested in shares. The return and value of such funds will depend heavily on how international sharemarkets are performing. These are the riskiest but good for long-term investment.

What fund type you pick depends on what you feel is right for your retirement needs. Generally, younger people pick growth funds, and as they reach the retirement age, they move their money to a balanced fund. Once they are retired, conservative funds are popular to protect the money saved.

However, if your goal is to buy a house soon having the deposit in a growth fund is a lot riskier as these tend to go up and down in value a lot. A conservative fund is a safer bet but will not have the same growth.

You have full control over where your money is invested and can change fund anytime

There is a wide misconception amongst New Zealanders that once you've decided on a fund, your money is stuck there until you are retired. This isn't the case at all – you can switch funds and providers at any time, and the paperwork is limited to one or two simple forms. If you decide a growth fund isn't where you want your money to be, your provider can switch it to a lower-risk fund within a day in most cases. If you switch providers altogether, it shouldn't take more than five working days. But don't just switch funds because your balance has gone down. Talk to your KiwiSaver adviser first (like us)

KiwiSaver fund fees make a difference to your overall investment performance

If your average return before fees is 5.00%, and your annual fee is 2.00%, you will be giving 40% of your investment's returns to your provider. Over time, this can add up – even 1% on a $40,000 balance charged annually for 25 years means a loss of $11,000.

A smart way to decide on which fund to invest in is to look at the net returns after-fees for the last year, five years, and ten years. If a fund charges a 2.00% fee but has returned 15% per year on average, it is better performing than a fund that charges 0.50% and returned 5.00% per year on average.

To be eligible to withdraw some or all of your KiwiSaver you must:

- ***have been a KiwiSaver scheme member for at least three years;***
- ***be planning to live in the house for at least six months, and.***
- ***be buying your first home***

Second Chance

Second Chance KiwiSaver Withdrawal

In some cases you can still withdraw your KiwiSaver for a home purchase even if you have owned property before - provided you look like a 'first home buyer'

This means that second-chance homeowners who have low assets will be able to access their KiwiSaver funds to buy a home regardless of how high their income is.

The rest of the eligibility criteria is;

- You have not received a first home KiwiSaver withdrawal before, and you have been contributing to KiwiSaver for at least three years.
- You have previously owned a home, but at the time of your application NO LONGER have an interest in a property.
- Your realisable assets are less than 20 percent of the house price cap for the area you are buying in.

If you are able to answer “Yes” to all of the above conditions, you then need you might be able to access your KiwiSaver however the only way to know is if you apply to Housing New Zealand for a Letter of Determination to provide to your KiwiSaver provider to prove that you are eligible for the “second chance” withdrawal.
We strongly recommend you apply to Housing New Zealand for this Letter of Determination as soon as possible as it takes up to four weeks to obtain. Waiting for this approval letter is the most common reason why KiwiSaver Second Chance Withdrawals get delayed.

KiwiSaver; For Retirement

If you have already used your KiwiSaver to purchase a property or can't use it for a property purchase then the next opportunity you will get to withdraw your KiwiSaver balance is when you retire. For most Kiwis, this might be the only money that they have for retirement.

Contributions; This is based on the individual, some people lower their contributions back down to the minimum of 3% to have more spare cash to spend or invest elsewhere. Whereas others leave the contributions up to help them save & invest more.

Fund Selection; For most, retirement is decades away so having your money in a growth fund that has more potential for growth might be the way to go. Even though there will be more ups and downs, as long as you plan on holding on to this investment then the growth will average out to be much higher than a conservative choice. However, whatever choice you choose you to need to be happy with the level of risk you are taking on.

Provider; This is important because of the fees, performance, and ease of use. Some providers are specialized and only do KwiwSaver - these tend to be the best. Some providers make it easier than others to change funds, contributions and actually withdraw the funds than others.

Having the correct fund and provider for your retirement KiwiSaver is even more important than for a first home withdrawal as the difference can grow exponentially over years and years.

KiwiSaver; Retirement

For example, let's compare the performance of the best growth funds of ~10% p.a compared to ~5% p.a for the worse performing growth funds.

Let's say Max from the example above has used his KiwiSaver for his first home and now is setting it up for retirement. He still earns the same and contributes a total of $3521 per year for 35 more years until he retires.

Growth Fund A
The worse performing growth fund at 5% pa compounded will result in around $250k-$350k for retirement. (before tax)

Growth Fund B
But for the better performing 10% pa. growth fund you could end up with more like $800k-$900k for retirement. (before tax)

Choosing which of the above settings is a very personal choice based on your situation; for this reason we will always suggest getting in touch with a professional to manage your KiwiSaver. It doesn't cost you anything and can make a differenct in how long it will take to reach your savings goal.

Growth Fund A

35 years of Contributions

$350k Retirement Fund

$17,500 per year until 85 years old

Growth Fund B

35 years of Contributions

$900k Retirement Fund

$45,000 per year until 85 years old

Get in Touch

We are here to help. We are KiwiSaver Advisors which means we will go out and find the best fund, provider and help you set up contributions for your situation.

We can help you put together a solid KiwiSaver plan for either the purchase of your First Home or for your Retirement.

We work will all major KiwiSaver providers and can help yu choose the right plan for you. We are a free service that will help you understand the best plan of action.

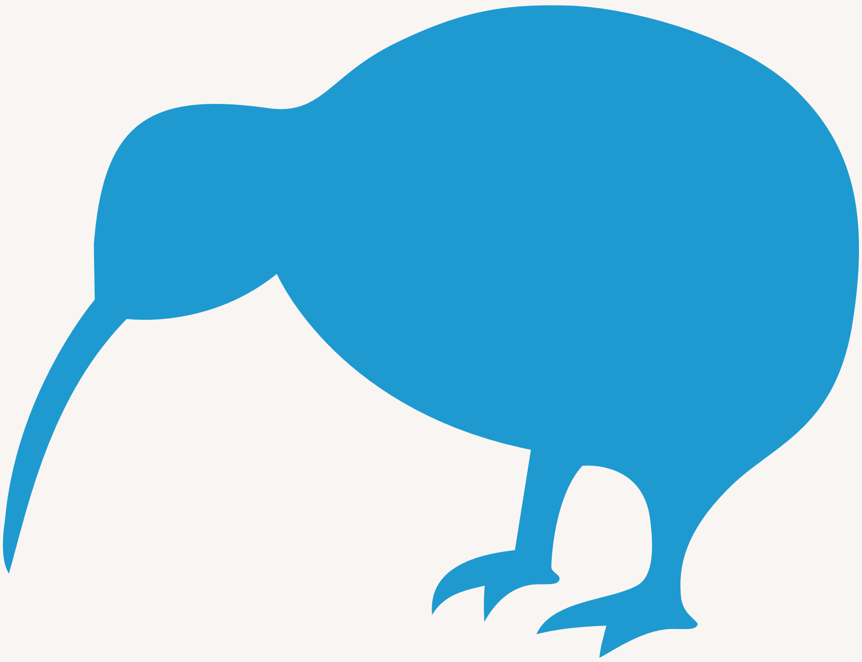
We are also mortgage brokers so once the time is ready we can also help get a mortgage to buy your first home.

We work with all main banks and non-bank lenders to help you find a solution, and this is how we are paid, by them, not you. Having a mortgage broker means you get a free service, so why wouldn't you?

If you are a first home buyer check out our Free First Home Buyers Guide here or go to www.tanta.co.nz/firsthomebuyer

Otherwise, email hello@tanta.co.nz and we can help you out.

We also have a podcast that covers all the information in this guide and more which can be found here



Testimonals

Marcel De Villiers recommends **Tanta - Financial Advisers**.
April 20

Anthony went above and beyond to help my partner and I purchase our first home. At one point I was worried that he may block my number I called him so many times during the process 😀
From things like expected settlement date times to advising on extra ways we can boost our initial deposit, to interest rates and even mortgage protection insurance... Without his help, we'd still be renting. Thank you so so much for your time and expert guidance! We've recommended Tanta to all our friends and family and couldn't be happier with how the experience played out.
It's important to note that our journey with Anthony really started a few years back when we first decided to start saving towards a specific financial goal. Hang in there and keep chipping away at it! It's doable!!

Maddy Gollogly recommends **Tanta - Financial Advisers**.
April 23

Anthony was an amazing broker helping us purchase our first home! He was friendly, efficient and professional, and you can tell he genuinely cares about his clientele. Thank you for going above and beyond for us. Highly recommend 😀👍

Myles Hugill recommends **Tanta - Financial Advisers**.
April 21

We were first time buyers embarking on a challenging journey to build a new house on a section we bought privately. This was no simple task by any means but Anthony persevered got us over the line. Now we are living our dream. Cheers Ant! Well done

Becky Wood recommends **Tanta - Financial Advisers**.
May 3

Anthony did what other financial advisors told us was not possible, he got us in to our first home!!
Super approachable and full of knowledge, Ants was always at the end of his phone.
All our business and personal insurances were sorted with us barely lifting a finger.
100% recommend using Tanta Financial Advising Services!!

More at www.tanta.co.nz