

Your introduction to KiwiSaver

EMPLOYEE INFORMATION PACK

Introducing KiwiSaver

KiwiSaver is an easy way to save for the future.

Most Kiwis believe it's important to save money for the future. But, as many of us know, saving is often easier said than done.

That's where KiwiSaver comes in. It's a voluntary savings initiative designed to make it easier to put money aside for the future.

If you choose to join, money will be put into your KiwiSaver account from your pay. You'll be able to withdraw your savings when you're eligible for New Zealand Super (when you turn 65) or after five years' membership, whichever is later. You may be able to withdraw your savings earlier in certain circumstances.

The government will help you save for your future with KiwiSaver with a kick-start payment of \$1,000, a regular fee subsidy and, if you qualify, a first home deposit subsidy.

If you're 18 or over you'll also receive an annual member tax credit matching the contributions you've made during the year up to \$1,040 (the equivalent of up to \$20 a week) and, from 1 April 2008, an employer contribution – provided you're having contributions deducted from your salary or wages. Your employer will start by paying an extra 1% of what you earn to your KiwiSaver account, increasing this by 1% each year to reach a maximum of 4% from 1 April 2011 (exceptions apply).

Joining KiwiSaver is easy, whether through automatic enrolment when starting a new job, or by choosing to join.

The information in this pack covers all the key points about KiwiSaver for employees. Please read it carefully.




**Remember,
for more information
you can always go
to our website,
www.kiwisaver.govt.nz**

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What are the benefits of joining KiwiSaver?

The \$1,000 kick-start payment

To get your savings off to a good start, the government will kick start your KiwiSaver account with a tax-free contribution of \$1,000. This is usually paid into your account when we transfer your contributions to your scheme provider for the first time – about three months after we receive your first contribution.



The government will help you save for your future by providing a number of benefits to you as a KiwiSaver member.

The member tax credit

If you're 18 or over, each year the government will pay into your account a member tax credit matching the contributions you've made during the year up to \$1,040. This is the equivalent of up to \$20 a week.

In your first year of membership, this is generally calculated from the first day of the month in which your first contribution is received or deductions start from your pay, whichever is earlier. The member tax credit will continue to be paid until you're eligible to withdraw your savings, provided your principal place of residence is in New Zealand (with some exceptions).

Your scheme provider will claim the member tax credit on your behalf after 30 June each year and invest it in your KiwiSaver account.

Fee subsidies

The government will pay a subsidy of \$20 into your KiwiSaver account twice a year to subsidise the fees charged by your scheme provider. The subsidy will be paid into your account until you're eligible to withdraw your savings.

The investment statement for your scheme will outline the fees that you'll be charged.

Employer contributions

From 1 April 2008 your employer is required to make compulsory contributions to your KiwiSaver account if you're 18 or over and contributions are being deducted from your salary or wages. Your employer will start by paying an extra 1% of your earnings to your KiwiSaver account, increasing this by 1% each year to a maximum of 4% from 1 April 2011. There are some exceptions, for example, if you already receive an employer contribution to another superannuation scheme.

The government will give your employer up to \$20 a week to help them meet the cost of making contributions.

Employer contributions are also exempt from tax up to the amount you're contributing or 4% of your pay, whichever is less.

Buying your first home

After being a member of KiwiSaver for three years you may be able to withdraw your savings (except for the \$1,000 government kick-start and member tax credit) to put towards buying your first home.

If you've been regularly contributing around 4% of your income to KiwiSaver or another approved superannuation scheme, you may also be entitled to a first home deposit subsidy from the government through Housing New Zealand Corporation.

The subsidy means you get \$1,000 for every year you've been contributing, up to a maximum of \$5,000 for each member. The eligibility criteria are set by Housing New Zealand and include household income and house price caps.

If you've previously owned a home you may be eligible for the first home withdrawal and first home deposit subsidy if Housing New Zealand determines that you're in the same financial situation as a first-time buyer.

You can find out more about this at www.hnzc.co.nz

Using KiwiSaver to help pay off your mortgage

Twelve months after your first contribution is received, you may be able to split your contributions between KiwiSaver and your mortgage. This means up to half of your contributions could go towards repaying the mortgage on your own home (not an investment property) and the rest could go to your KiwiSaver scheme. This is called 'mortgage diversion.'

Your member tax credit and your employer's contributions can't be diverted to your mortgage, and contributions you divert to your mortgage don't qualify for the member tax credit.

Note: Not all KiwiSaver scheme providers and mortgage providers will offer mortgage diversion and you may be charged a fee for this service.

Who can join KiwiSaver?

To be eligible to join KiwiSaver you must:

- live, or normally live, in New Zealand, and
- be a New Zealand citizen or be entitled to stay in New Zealand indefinitely, and
- be under the age of eligibility for NZ Super (age 65).

State services' employees serving outside New Zealand may also join (conditions apply).

If you're in New Zealand on holiday (including New Zealand citizens who normally live overseas) or hold a temporary, visitor, student or work permit you can't join KiwiSaver.

How do I join KiwiSaver?

Joining KiwiSaver is easy, whether it's through automatic enrolment when you start a new job, or by you choosing to join. If you're automatically enrolled, you can choose to opt out. If you choose to join, you can't opt out.

If you're an employee and want to join KiwiSaver, see page 7.

If you've just started a new job, or you're about to, see page 8.

Note: You can still join KiwiSaver even if you're not an employee. For example, if you're self-employed, not earning or not required to have pay-as-you-earn tax (PAYE) deducted from your pay – or you want to sign up someone under 18 – you do this by choosing a scheme provider and applying to them directly. For more information and a list of KiwiSaver scheme providers go to www.kiwisaver.govt.nz or call us on **0800 549 472** (0800 KIWISAVER).



What if I'm already employed and I'd like to join KiwiSaver?

If you're currently an employee and you're eligible, you can choose to join. Your savings will be locked in until you become eligible for NZ Super (when you turn 65) or for five years, whichever is later (with some exceptions). If you choose to opt in to KiwiSaver, you can't opt out.

- If you know which KiwiSaver scheme you'd like to join, you can contact the scheme provider and apply directly. They'll give us your details and we'll tell your employer to start deducting contributions from your pay.
- Otherwise, you can join by giving your employer a KiwiSaver deduction notice – for example, the *KiwiSaver deduction form (KS 2)* in this pack. KiwiSaver deductions will start from the next pay your employer calculates for you. We'll allocate you to your employer's chosen scheme, if they have one, or to one of the default schemes. You can choose your own scheme later if you'd like to by applying to the provider of the scheme you'd prefer to belong to.

Note: If you're under 18 you can only join by contacting a scheme provider and applying directly.

Other questions you may have:

What will my KiwiSaver contributions be?	See page 10
Can I take a break from making KiwiSaver contributions?	See page 13
What if I have more than one job?	See page 13
Where can I learn about scheme providers?	See page 15
What if I have already have an established superannuation scheme?	See page 17

What if I've just started a new job, or I'm about to?

Most people who start new jobs are automatically enrolled in KiwiSaver. So, when you're starting a new job, make sure to check if your employer will be enrolling you automatically.

Your employer is responsible for deciding if automatic enrolment applies to you because there are some exceptions. For example, you're not required to be automatically enrolled if you're under 18, or your employer offers you membership to another approved superannuation scheme, or if you're not required to have pay-as-you-earn tax (PAYE) deducted from your pay.

You're also not automatically enrolled if you're a temporary employee with a contract of service for 28 continuous days or less, or a casual agricultural worker employed for less than three months, or a casual worker and your holiday pay is paid out as part of your regular salary or wages.*

If you're automatically enrolled, this means that from your first pay KiwiSaver contributions will be deducted at the rate of 4%, or you can choose the higher rate of 8%. You may also be entitled to an employer contribution from 1 April 2008.

Contributions will continue to be deducted each payday, unless you opt out. You have eight weeks after starting your new job to decide if you want to remain a member of KiwiSaver or opt out.

* From 1 April 2008.

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How do I opt out of KiwiSaver?

You can only opt out if you're a new employee who's been automatically enrolled. If you want to opt out you should do this between the second and eighth week of starting your new job. If you don't opt out in this time-frame, you'll remain a KiwiSaver member and deductions will continue to be made from your pay.

If events outside your control mean you can't complete the opt-out form within eight weeks of starting your new job, you can apply for a late opt-out. We have limited discretion to accept late opt-outs for up to three months after receiving your first contribution.

To opt out, you can either:

- complete the *New employee opt-out request (KS 10)* in this pack and either give it to your employer or send it to us, or
- complete the online opt-out form at www.kiwisaver.govt.nz

If you opt out, any contributions already deducted from your pay will be refunded to you in due course. Any employer contributions will be refunded to your employer.

Note: The time-frame for opting out is from day 14 to day 56 from the day you start your new job.

What will my KiwiSaver contributions be?

If you're an employee, your KiwiSaver contributions are deducted from your pay. You can choose whether this is at a rate of 4% or 8%. If you don't choose, your contribution rate will automatically be 4%. Contributions are calculated from your gross (before-tax) pay but deducted from your net (after-tax) pay.

For example, if you earn \$600 a week and contribute 4% to KiwiSaver:

your gross pay is	\$600.00
less PAYE of	-\$123.43*
less KiwiSaver contribution	-\$ 24.00 (4% of \$600)
Net pay	\$452.57

The tables below show how much money will come out of your weekly pay, and the impact of the government kick-start, member tax credit and employer contribution.

* From 1 April 2008.

Contributing 4% of your salary or wages

If your annual salary is:	Your weekly contribution will be:	Over a year this adds up to:	Your employer's compulsory contribution of 1% for the year adds up to:	Add the one-off government kick-start of:	Add the member tax credit of up to:	This adds up to*:
\$10,000	\$7.68	\$400	\$100	\$1,000	\$400	\$1,900
\$20,000	\$15.36	\$800	\$200	\$1,000	\$800	\$2,800
\$30,000	\$23.04	\$1,200	\$300	\$1,000	\$1,040	\$3,540
\$40,000	\$30.76	\$1,600	\$400	\$1,000	\$1,040	\$4,040
\$50,000	\$38.44	\$2,000	\$500	\$1,000	\$1,040	\$4,540
\$60,000	\$46.12	\$2,400	\$600	\$1,000	\$1,040	\$5,040
\$70,000	\$53.84	\$2,800	\$700	\$1,000	\$1,040	\$5,540
\$80,000	\$61.52	\$3,200	\$800	\$1,000	\$1,040	\$6,040

*This does not show what your savings will be worth after a year. The return you get will depend on the investment performance of your scheme. The figures in this table are estimates only.

If your employer agrees, you can arrange to share the minimum contribution rate of 4%. Until 31 March 2010 you can contribute 2% matched by your employer contributing 2%. From April 2010 you and your employer will both contribute 3%, rising to 4% each from April 2011 onwards.

Contributions will continue to be deducted as long as you're being paid, unless you're on a contributions holiday (see page 13). However, if you're out of the workforce for any reason and you're no longer being paid by your employer, your contributions will stop automatically unless you make arrangements to keep them going.

Contributing 8% of your salary or wages

If your annual salary is:	Your weekly contribution will be:	Over a year this adds up to:	Your employer's compulsory contribution of 1% for the year adds up to:	Add the one-off government kick-start of:	Add the member tax credit of up to:	This adds up to*:
\$10,000	\$15.36	\$800	\$100	\$1,000	\$800	\$2,700
\$20,000	\$30.72	\$1,600	\$200	\$1,000	\$1,040	\$3,840
\$30,000	\$46.08	\$2,400	\$300	\$1,000	\$1,040	\$4,740
\$40,000	\$61.52	\$3,200	\$400	\$1,000	\$1,040	\$5,640
\$50,000	\$76.88	\$4,000	\$500	\$1,000	\$1,040	\$6,540
\$60,000	\$92.24	\$4,800	\$600	\$1,000	\$1,040	\$7,440
\$70,000	\$107.68	\$5,600	\$700	\$1,000	\$1,040	\$8,340
\$80,000	\$123.04	\$6,400	\$800	\$1,000	\$1,040	\$9,240

*This does not show what your savings will be worth after a year. The return you get will depend on the investment performance of your scheme. The figures in this table and are estimates only.

If your employer deducts your regular contribution from your pay, but doesn't pass it on, we'll still make the payment to your scheme provider (up to a maximum of 8%) and follow the matter up with your employer:

Note: For contributions to KiwiSaver schemes, gross salary or wages generally means total salary, wages or allowances, including bonuses, commission, extra salary, gratuity, overtime and other remuneration of any kind before tax. It doesn't include redundancy payments, the value of providing board or lodging or use of a house or quarters, or an allowance in lieu of this benefit. Some types of grants, pensions and benefits are also excluded.

Extra contributions

You can only contribute 4% or 8% as a deduction from your salary or wages. However, you can choose to make extra contributions to us or directly to your scheme provider.

You can make extra contributions to us through the 'Pay Tax' internet banking option or by paying over the counter at any Westpac branch.

Can I take a break from making KiwiSaver contributions?

Yes, this is called a contributions holiday. You can choose for it to last between three months and five years. You're able to take a contributions holiday 12 months after your first contribution has been received. There is no limit to the number of times you can take a contributions holiday.

You can only apply for a contributions holiday within the first 12 months of us receiving your first contribution if you're experiencing, or likely to experience, financial hardship.

To apply for a contributions holiday, go to www.kiwisaver.govt.nz, call us on **0800 549 472** (0800 KIWISAVER), or send us a completed *Contributions holiday request (KS 6)*.

What if I have more than one job?

If you have more than one job when you join KiwiSaver, you can choose which jobs you'll contribute from. You can contribute from one or more – it's your choice. However, you'll have to contribute from any new jobs you start, unless you take a contributions holiday.

You can apply your contributions holiday to any or all of your jobs, which gives you flexibility to only contribute from the jobs you want to.



KiwiSaver scheme providers

Your savings will be invested in a KiwiSaver scheme by your scheme provider. You can choose from a wide range of schemes and investment funds from lower-risk conservative funds to higher-risk growth funds. The return you get and the fees you're charged can vary.

Before you choose, find out about your scheme provider and how they plan to invest your money. Your scheme provider's investment statement will explain these things. Please make sure that you read the investment statement – it's an important document. It sets out the specific rules, fees, terms and conditions of the scheme and explains how your money will be invested.

KiwiSaver is not guaranteed by the government. This means you invest in a KiwiSaver scheme at your own risk. However, all KiwiSaver schemes are regulated in a similar way to other registered superannuation schemes, and are governed by trust deeds.



**To get a full list of
scheme providers, go to
www.kiwisaver.govt.nz
or call us on 0800 549 472
(0800 KIWISAVER)**

How do I get allocated to a KiwiSaver scheme?

If you've just started a new job and you're being automatically enrolled, or if you're an existing employee who has opted in through your employer, you'll be allocated to your employer's chosen KiwiSaver scheme. If they don't have one, you'll be allocated to a default KiwiSaver scheme.

If you're allocated to a default scheme your contributions will be invested in a conservative fund. Six financial institutions have been appointed by the government to be default scheme providers. These are AMP, ASB, AXA, ING, Mercer and Tower.

When you're allocated to a scheme, you'll receive a letter from us telling you which one it is, and a copy of their investment statement. If your employer has a chosen scheme, they'll tell you this and give you a copy of the scheme's investment statement.

We'll hold your contributions for the first three months to give you time to get financial advice and choose your own scheme if you want to. If, after three months, you haven't opted out or chosen your own scheme, you'll be enrolled in the scheme you were allocated to and the \$1,000 government kick-start and first \$20 fee subsidy will be paid into your scheme account. All the contributions we've received and processed will also be paid with interest into your account. We'll then pass your contributions to your scheme provider on a more regular basis.

Can I choose my own KiwiSaver scheme?

You can choose your own KiwiSaver scheme or change schemes at any time by applying to the provider of the scheme you'd prefer to belong to. However, you can only belong to one KiwiSaver scheme at any time.

What if I already have a superannuation scheme?

You can still join KiwiSaver if you already save through another superannuation scheme. You may be entitled to some of the KiwiSaver benefits through your other scheme, including the member tax credit and compulsory employer contribution. For example, if your other scheme is what is called a 'complying superannuation fund*', contributions you make to that scheme will count towards your member tax credit entitlement for the year. However, you're only entitled to the maximum member tax credit of \$1,040 each year and it will usually be paid to the scheme that applies first.

If your employer makes contributions to your other scheme, this can count towards the compulsory employer contribution rate, which means you may not be entitled to another employer contribution to your KiwiSaver scheme. Certain criteria apply here, so ask your employer or existing scheme provider for more information and consider discussing your options with a financial adviser.

* A complying superannuation fund is a section of a registered superannuation scheme that has been approved by the Government Actuary as having met certain criteria similar to KiwiSaver (for example, KiwiSaver lock-in rules and portability).

When can I withdraw my savings?

You can withdraw your savings, including the government kick-start, member tax credit and employer contributions, as a lump sum when you qualify for NZ Super (when you turn 65) or after five years' membership, whichever is later.

You may be able to withdraw your savings earlier if:

- after three years you'd like to buy your first home or Housing New Zealand determines that you're in the same financial position as someone buying their first home – but you won't be able to withdraw the government kick-start and member tax credit
- you experience significant financial hardship – but you won't be able to withdraw the government kick-start and member tax credit
- you suffer serious illness
- you move overseas permanently – but you won't be able to withdraw the member tax credit (which is paid back to the government)

In most cases, apply to your KiwiSaver scheme provider directly if you want to withdraw your savings. You should check with your scheme provider about what amounts you can withdraw and whether there are any special terms and conditions for withdrawing any voluntary employer contributions.

If you die, your savings will be paid to your estate.

Getting advice

Neither your employer nor Inland Revenue can give you financial advice about whether KiwiSaver is the right choice for you or which scheme you should join.

If you'd like help deciding whether or not to join KiwiSaver you can go to **www.sorted.org.nz**. This is the Retirement Commission's website and it provides free, independent information about money matters, including KiwiSaver.

Alternatively, contact a financial adviser for advice on:

- your personal financial circumstances
- whether or not KiwiSaver is right for you
- how to choose a scheme or investment product
- the overall KiwiSaver scheme and its financial concepts



The *Sorted KiwiSaver Decision Guide* may also help. A summary is on the back page of this pack. You can see the full version at www.sorted.org.nz

Your privacy

Inland Revenue collects your personal information so it can effectively administer the KiwiSaver and other Inland Revenue Acts.

Under the KiwiSaver Act, employers and KiwiSaver scheme members must give some personal information to Inland Revenue. Penalties may apply if information is not supplied.

To administer KiwiSaver effectively, Inland Revenue passes some information about you to your KiwiSaver scheme provider. You can ask to see the personal information that Inland Revenue or any KiwiSaver scheme provider holds about you and have any errors corrected.

Information about you for the purposes of KiwiSaver is held by Inland Revenue, PO Box 2198, Wellington.

Who do I go to if I have a complaint?

Inland Revenue is committed to providing you with good service. If there's a problem, Inland Revenue would like to know about it and have the opportunity to fix it.

If you have a complaint, the quickest and easiest way to resolve it is usually with the staff member you've been dealing with. If you're not satisfied, ask to speak to their manager.

If you're still not satisfied, Inland Revenue has a Complaints Management Service that can take a fresh look at your complaint. You can go to www.ird.govt.nz, call **0800 274 138** between 8am and 5pm weekdays, or put your complaint in writing and send it to:

Complaints Management Service, Inland Revenue, PO Box 1072, Wellington 6140.

If you have a complaint about your KiwiSaver scheme, please contact your scheme provider.

The information contained in this pack is for general guidance only. It should not be used as a substitute for financial, legal, business, accounting, tax or other professional advice.

This pack is intended to provide general information to the public, and all reasonable measures have been taken to ensure its quality and accuracy. However, Inland Revenue:

- makes no warranty, express or implied, nor assumes any legal liability or responsibility for the accuracy, correctness, completeness or use of any information contained in this pack, nor represents that its use would not infringe privately owned rights; and
- does not assume any legal liability or responsibility for any damage or loss that may directly or indirectly result from any information contained in this pack or any actions taken as a result of the content of this pack.



Can you afford 4%?

Get Sorted on KiwiSaver

Sorted's checklist of pros and cons should help you decide. Just tick the points you feel apply to you.

Reasons for joining KiwiSaver:

- I like the idea of a \$1000 kick-start from the government.
- I like the idea of up to \$1040 a year in tax credits to increase my savings.
- I like the fact that my employer will contribute to my KiwiSaver account.
- I can put my contributions, and my employer's contributions, towards a first home deposit and might be eligible for a First Home Deposit Subsidy after three years.¹
- I like the idea of savings I can't touch until I'm eligible for New Zealand Superannuation – currently 65 years of age.²
- I'm not a natural saver so I need something that's easy to manage. The fact that it comes out of my pay before I see it is a plus.
- I can put my contributions on hold after 12 months if I hit a rough patch or if I change my mind.

Reasons not to join KiwiSaver:

- I can't afford to contribute 4% of my pay.³
- I'd rather put that money into paying off high interest debt (e.g. credit card, hire purchase) before joining KiwiSaver.⁴
- I don't want my savings locked away until I'm eligible for New Zealand Superannuation – currently 65 years of age.²
- I'm already a member of (or I'm able to join) a superannuation scheme that my employer contributes to, that is better for me.
- I already have a plan in place for my retirement income that is at least as good or better.

¹Qualification for a home deposit withdrawal or subsidy may be available to previous home owners if you're in the same financial position as a first home buyer.

²Or after 5 years' membership, for those over 60 but under 65 years of age when joining.

³If your employer agrees to match it you can start with a 2% contribution from your pay, increasing that over time, until you and your employer are each contributing 4%.

⁴See the calculator in the full version of our KiwiSaver Decision Guide at sorted.org.nz for more information related to this reason.

See the full version of our KiwiSaver Decision Guide (including calculators) on sorted.org.nz

sorted.org.nz
YOUR INDEPENDENT MONEY GUIDE

How to contact us

Phone

0800 549 472 (0800 KIWISAVER)

or: 04-978 0800 if using a cellphone

00 64 4-978 0779 if calling from overseas

Language line

If your first or preferred language isn't English we'll get an interpreter to help with the call.

Deaf or hearing-impaired service

Fax 0800 447 755

Postal address

Inland Revenue

PO Box 1454

Hamilton 3240

www.kiwisaver.govt.nz

New Zealand Government

Call recording: As part of our commitment to providing the best possible service to our customers, Inland Revenue records all phone calls answered in, and made by, our permanent call centres.

For further information about our call recording policy and how you can access your recorded information, please go to www.kiwisaver.govt.nz or call us on 0800 549 472 (0800 KIWISAVER).

