

Kiwisaver Changes Following the Budget

The recent budget has made some changes to the Kiwisaver scheme. It will not be quite as good as it was, but the fact remains it still provides a fantastic investment return.

I am amazed when I come across people who are not in the scheme. As a new member, you get \$1,000 kick-start. If you are employed, you will get dollar for dollar from your employer based on 2% of your earnings increasing to 3% contributions from 1 April 2013. The Government has made a change that the employer contributions will be taxed from 1 April 2012. The Government will still throw in \$521 per year. Yes, the tax credits have halved and, yes people will need to increase savings to 3% of their gross income, but Kiwisaver is still a great way to get us to save for our old age.

I met a client recently and asked if they were in Kiwisaver. They said no, I am 62 it will not help me. I said I could show them how to double their money risk free. Sign up for Kiwisaver; your salary is more than \$35,000 so you will qualify for all government contributions. The following example shows the gains over the next five years but ignores the returns your Kiwisaver provider can generate. What the Kiwisaver savings will look like on a salary of \$55,000:

	Gross Salary	Employee Contributions	Employer Contributions	Member Tax Credit	Total Savings
Position to 31 March 2012 (Include \$1000 kickstart)		2%	2%		1,000
	35,000	700	700	640	2,040
	55,000	1,100	1,100	640	2,840
	75,000	1,500	1,500	640	3,640
	100,000	2,000	2,000	640	4,640
Position to 31 March 2013		2%	2%	taxed	
	35,000	700	578	521	1,799
	55,000	1,100	908	521	2,529
	75,000	1,500	1,005	521	3,026
	100,000	2,000	1,340	521	3,861
Position to 31 March 2014 Onwards		3%	3%	taxed	
	35,000	1,050	866	521	2,437
	55,000	1,650	1,361	521	3,532
	75,000	2,250	1,508	521	4,279
	100,000	3,000	2,010	521	5,531
Position to 31 March 2015	55,000	1,650	1,361	521	3,532
Position to 31 March 2016	55,000	1,650	1,361	521	3,532
Total Savings for \$55,000 Salary at the end of the five years in Kiwisaver (Before investment Returns)					\$ 16,965
	Contributions				\$ 7,150
	Gross Return				\$ 9,815

For any investment advice, I recommend Professional Investment Services (Manawatu) Ltd. Kiwisaver, get in, the going's still good.

Hamish Pryde

May 27, 2011



*Disclaimer: This document is provided by Coombe Smith (PN) Limited as general guidance only. View full Content Disclaimer on www.coombesmith.co.nz