



## Despite changes KiwiSaver remains a very attractive way to save for your retirement

After much speculation in recent weeks the Government has announced details of the changes it is making to KiwiSaver in yesterday's Budget.

The general thrust of these changes had been signaled in John Key's speech last week. The objective is to reduce the amount the government is borrowing to fund private savings and drive a larger share of contributions from members and employers. The net effect is an increase in national savings.

The table below outlines the changes and when they will take effect.

Change	Effective Date
The Member Tax Credit (MTC) will be halved from \$1 to 50c for every \$1 contributed by members, up to \$521 per year – half the current maximum	Year commencing 1 July 2011
The minimum employee contribution rate will rise from 2% to 3%	From 1 April 2013
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The tax-free status of employer contributions will be removed. These will be taxed at the employee's marginal tax rate.	From 1 April 2012

To confirm, the \$1,000 kickstart all members receive for joining remains.

### How does this impact KiwiSaver members?

Employed members and employers will have to lift their contribution rates. There is a two year timeframe to commencement giving both employees and employers time to adjust to the greater commitment.

The table below shows the impact on monthly employee and employer contributions from April 2013.

	Employee Contribution (now)	Employee Contribution (future)	Employer Contribution (now)	Employer Contribution (future)
<b>Income</b>	<b>2%</b>	<b>3%</b>	<b>2%</b>	<b>3%</b>
<b>\$40,000</b>	\$66.67	\$100.00	\$66.67	\$82.50
<b>\$50,000</b>	\$83.33	\$125.00	\$83.33	\$103.13
<b>\$60,000</b>	\$100.00	\$150.00	\$100.00	\$105.00
<b>\$70,000</b>	\$116.67	\$175.00	\$116.67	\$122.50
<b>\$80,000</b>	\$133.33	\$200.00	\$133.33	\$140.00
<b>\$90,000</b>	\$150.00	\$225.00	\$150.00	\$150.75
<b>\$100,000</b>	\$166.67	\$250.00	\$166.67	\$167.50
<b>\$150,000</b>	\$250.00	\$375.00	\$250.00	\$251.25
<b>\$200,000</b>	\$333.33	\$500.00	\$333.33	\$335.00



**Assumptions:**

Employer Compulsory Superannuation Tax (ECST) is applied to employer contributions from 1 April 2013 as per current legislation.

**Self employed / Not employed Members**

In order to maximise the MTC's, self/not employed KiwiSaver members will still have to contribute the equivalent of \$20 per week or \$1,042.86 each year. That is because the entitlement to MTC's now is based on a contribution from the Government of 50c for every \$1 contributed.

The scenarios below outline impact of this change:

<b>Self/not employed Member A</b>	
Annual member contribution	\$1,042
Member tax credit	\$521
<b>Self/not employed Member B</b>	
Annual member contribution	\$750
Member tax credit	\$375
<b>Self/not employed Member C</b>	
Annual member contribution	\$2,000
Member tax credit	\$521

**What do we like about the changes?**

- There were no real surprises
- Strong incentives still remain for people to join and make ongoing contributions to KiwiSaver
- The implementation timeframe gives employees and employers time to adjust to the changes in their take home pay and the remuneration structures for employees
- It creates a more sustainable KiwiSaver into the future. National is committed to savings in the future and ensuring individuals save for their retirement.

**What don't we like about the changes?**

- The continual tweaking of KiwiSaver undermines people's confidence and trust in the future of KiwiSaver as a retirement savings vehicle.

**Do you need to do anything?**

No. We'll be updating our Investment Statement in due course but there is nothing you as Kiwisaver members are required to do.

**Questions?**

Feel free to contact us by phone or email if you need any clarification in regard to your situation.