

# KiwiSaver – a great opportunity for self employed

One of the common misconceptions we hear about KiwiSaver from self employed people is that you have to be an employee to participate. That is not the case.

## Who can join KiwiSaver?

Any person under 65 can join KiwiSaver, provided they are a New Zealand resident, regardless of whether they are working or not. Employed people earning under PAYE must contribute a minimum of 2% of their wages and salary but self employed (not paying themselves a wage or salary which is subject to PAYE) are not required by law to make any contributions; however there are good reasons (as outlined below) to do so.

## Why should the self employed join KiwiSaver?

Self employed persons benefit the most from the Government contributions towards KiwiSaver because they can put in just enough to maximise the contributions from the Government. For every \$1 you contribute the Government will contribute \$0.50 (member tax credit), up to a maximum of \$521 per KiwiSaver year (the equivalent of \$10 per week), provided you are of working age (broadly 18 to 65) and have been a KiwiSaver member for the full KiwiSaver year (1 July-30 June).

Self employed KiwiSaver members who qualify will receive from the Government:

- ✔ a one-off \$1,000 kickstart contribution to their savings just for joining; and
- ✔ a \$521 contribution each year provided the member contributes \$1,042.

That means self employed members can effectively receive up to 50% more in contributions each year, not to mention the one-off \$1,000 kickstart contribution (if this is the first KiwiSaver scheme they have joined).

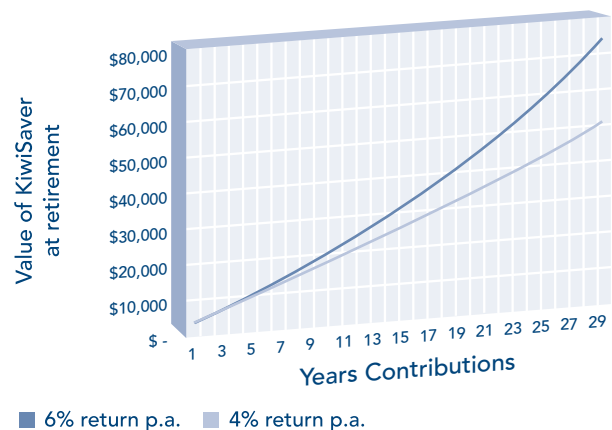
## Defining “self employed”

For the purposes of KiwiSaver, a “self employed” person is someone who earns no income which is subject to PAYE. Self employed persons who work through a company structure and receive payments as a shareholder at the end of the year are considered self employed if there is no obligation to deduct PAYE from those payments.

## Is it worth it?

So is it really worthwhile to invest \$1,042 a year in KiwiSaver? The answer is yes. It takes about 5 minutes to complete the forms to join KiwiSaver. For that small, one off time investment, why would anyone risk missing out on the money the Government is contributing to encourage savings? You can set up a direct debit or automatic payment that will make it easy for you to contribute and it will make a difference to your retirement savings.

The graph below (which is purely illustrative and not intended to give any indication of future investment performance) is based on a 35 year old self employed person who will be in KiwiSaver for 30 years. They simply contribute \$1,042 every KiwiSaver year (at the rate of \$20 per week) and the Government contributes \$521 as a lump sum after the end of every KiwiSaver year (as well as the \$1,000 kickstart). No withdrawals are made. The graph shows two return assumptions: a 4% p.a. return each year after tax and fees (which gives an end value of \$50,428) and a 6% p.a. return each year after tax and fees (which gives an end value of \$73,538). All value amounts are shown in today's dollar terms.



*The assumed net returns and values in this graph are illustrations only. The returns to KiwiSaver scheme members are subject to investment and other risks (including loss of income and principal invested) and no returns are promised or guaranteed. The graph does not represent any indication of actual or future performance.*

Of course, a KiwiSaver account is a retirement savings plan that is locked in until New Zealand Superannuation age (currently 65), apart from some exceptional circumstances. Taking advantage of these generous government benefits pays off in the long run. As there is real uncertainty around the level of New Zealand Superannuation that will be available in the future, it is now more important than ever to start saving for your retirement. We can no longer expect to retire and be supported by the Government as we could in the past.

### What if your circumstances change?

Being self employed you are under no obligation to contribute, so you can simply stop contributing at any time. You also have the flexibility of making lump sum contributions as and when you please.

### I want to know more – what should I do?

This article has been provided by Fisher Funds Management Limited, a leading New Zealand Fund Manager and KiwiSaver provider. To find out more about KiwiSaver and the Fisher Funds KiwiSaver Scheme, and for an Investment Statement, please feel free to contact them on 0508 FISHER (0508 347 437) or go to <http://kiwisaver.fisherfunds.co.nz>.



“Our mission is to  
make KiwiSaver  
easy for you from  
the day you join  
until long after  
you retire”