



KiwiSaver

A great opportunity for self employed

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

Who can join KiwiSaver?

Any natural 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 under PAYE) are not required to make any contributions.

Kiwi Saver is for everyone. start now!

Why should the self employed join KiwiSaver?

Self employed benefit the most from the Government contributions towards KiwiSaver because they can put in just enough to maximise the benefits from the Government. It makes good sense to contribute \$1,042.86 per year as the Government will match that by contributing a further \$1,042.86, but it's not mandatory.

Self employed KiwiSaver members receive from the Government:

- a **\$1,000 kickstart** to their savings just for joining; and
- **\$1,042.86 each year** provided the member also contributes \$1,042.86.

That means self employed members can double their contributions each year.

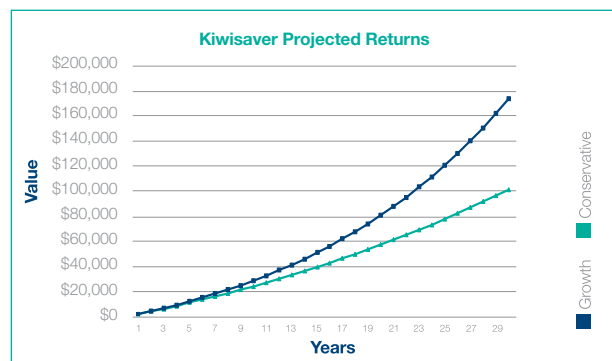
Defining “self employed”

For the purposes of KiwiSaver, a “self employed” person is someone who has no income subject to PAYE. Self employed who work through a company structure and receive a shareholders salary at the end of the year are considered self employed if there is no obligation to deduct PAYE from any salary.

Is it worth it?

So is it really worthwhile to invest \$1,042.86 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 giving away to encourage savings? And it does make a difference to your retirement savings.

The adjacent graph is based on a 35 year old who will be in KiwiSaver for 30 years. They simply contribute \$1,042.86 every year which the Government matches. The chart shows two return scenarios, one conservative (3% p.a.) gives an end value of just over \$101,500 and one growth (6% p.a.)¹ provides an end value of just over \$170,500.



By comparison, if you saved that money in a bank account over 30 years you would have just over \$49,500 assuming an after tax return of 3%.

Of course, KiwiSaver accounts are retirement savings that are locked in until retirement age of 65 apart from some exceptional circumstances, taking advantage of government contributions pays off in the long run and that's probably when you want to enjoy your nest egg anyway.

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. To find out more about KiwiSaver and Fisher Funds' KiwiSaver Scheme please feel free to contact them on 0508 FISHER (0508 347 437).

About Fisher Funds

Fisher Funds, a NZ owned and operated fund manager specialising in share market investing, currently manages over \$750M for more than 30,000 clients.

¹ Returns are estimates only. While the returns are conservative when compared to historical averages, they may not be reflective of actual performance and no returns are guaranteed.