Inland Revenue
Te Tari Taake

KiwiSaver
Poua he Oranga

KS 3 | April 2012

# Your introduction to KiwiSaver – employee information

KiwiSaver is a work-based savings initiative designed to help set you up for your retirement. Most members will build up their savings through regular contributions from their pay, making saving simple and easy.

To join KiwiSaver you must:

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

### Already in work

You can choose whether you join KiwiSaver. If you decide to, you can join with a scheme provider directly or through your employer.

### Starting a new job

If you're over 18 you'll be automatically enrolled in KiwiSaver if you're eligible. Your employer will give you some information about KiwiSaver, including a *KiwiSaver deduction form (KS 2)*.

Temporary employees and casual agricultural workers aren't automatically enrolled in KiwiSaver. For other exemptions go to www.kiwisaver.govt.nz (keywords: automatic enrolment).

### Self-employed or not working

You can join KiwiSaver by contacting your chosen scheme provider directly. They'll send you an investment statement and enrolment form. For more information on KiwiSaver scheme providers go to www.kiwisaver.govt.nz (keywords: scheme provider).

## Opting out

If you don't want to join KiwiSaver and have been automatically enrolled you'll need to opt out between the second and eighth week of starting your new job. Complete an online opt-out form at www.kiwisaver.govt.nz or a *New employee opt-out request (KS 10)* form. We'll refund any contributions you've made.

If you've chosen to join KiwiSaver you can't opt out. However, after 12 months you could take a contributions holiday.

## KiwiSaver benefits

Everyone gets a $1,000 government kick-start payment when they enrol. If you're over 18 you'll also be entitled to:

- an annual member tax credit paid by the government of up to $521.43
- employer contributions that match 2% of your gross earnings.

Three years after your first KiwiSaver contribution you may be able to use your savings (except the $1,000 kick-start and the member tax credits) to buy your first home, and you may also be eligible for a subsidy from Housing New Zealand. For more information on first home withdrawals go to www.kiwisaver.govt.nz (keywords: first home).

## Choosing a scheme provider

You don't have to choose a scheme when you join KiwiSaver. You can be allocated to your employer's chosen scheme or, if they don't have a preferred scheme, we'll allocate you to a default scheme. We'll write to you confirming this and send you their investment statement.

You can choose a scheme or change schemes whenever you like, but you can only belong to one KiwiSaver scheme at a time.

See the full list of KiwiSaver schemes and providers at www.kiwisaver.govt.nz (keyword: providers).

## Making contributions

Making contributions is easy, whether you're working, not working or self employed.

### If you're working

Your employer deducts contributions from your before-tax pay at your chosen rate of 2%, 4% or 8%. If you don't choose a rate the default rate of 2% will be applied. Your employer passes this money to us and we pass it on to your scheme provider.

Once you've chosen a contribution rate you must continue using this rate for three months before you're able to change it.

### Self-employed or not working

You and your KiwiSaver scheme provider agree how much you want to contribute and you make payments directly to them.

### How your contributions are processed

It takes about three months for any KiwiSaver contributions deducted from your pay to reach your account. We transfer your contributions to your scheme provider, including any interest earned, once we've made sure your employer's payroll information is correct.

For more information go to www.kiwisaver.govt.nz (keyword: processed).

## Employer contributions

If you're a KiwiSaver member making contributions from your pay, your employer also has to make a contribution. This will equal 2% of your pay before tax.

### Exceptions

Your employer doesn't have to make compulsory employer contributions if:

- they're already paying sufficient contributions into another approved superannuation scheme for you
- you're under 18
- you're over 65 and have been contributing for at least five years
- you're not required to have deductions made from your pay (eg, if you're on a contributions holiday, or on leave without pay).

### ESCT (employer superannuation contribution tax)

Any monetary contributions made by an employer, to a superannuation fund for the benefit of their employees is liable for ESCT.

## Contributions holiday

After you've been contributing to KiwiSaver for 12 months you can apply to take a break from contributing for three months to five years. There's no limit on how many times you can do this.

However, when you're on a contributions holiday, your employer doesn't have to make contributions either.

If you're experiencing financial hardship you may get approval to stop making contributions. For more information go to www.kiwisaver.govt.nz (keyword: hardship).

## Existing superannuation schemes

If you're in a complying superannuation scheme, you may be entitled to some of the KiwiSaver benefits through that scheme, including the member tax credit and having your employer pay compulsory employer contributions.

Your employer only has to pay a total 2% compulsory employer contribution regardless of whether you're a member of both KiwiSaver and a complying superannuation scheme.

You can still join KiwiSaver if you're a member of a complying superannuation scheme, but the benefits will only apply to one of your schemes.

## Withdrawing your savings

In most cases, your KiwiSaver savings will be locked in until you're eligible for NZ Super (currently 65). However, if you joined over the age of 60 you'll need to wait until you've been in KiwiSaver for five years.

KiwiSaver won't affect your eligibility for NZ Super or reduce the amount of NZ Super you're eligible for.

### Exceptions

You may be able to withdraw part (or all) of your savings if you're:

- buying your first home
- moving overseas permanently
- suffering significant financial hardship
- seriously ill.

If you die, your KiwiSaver 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.

KiwiSaver isn't guaranteed by the government. This means you make your investment choices in a KiwiSaver scheme at your own risk. However, all KiwiSaver schemes are regulated by the Finanical Markets Authority in a similar way to other registered superannuation schemes.

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

Alternatively, contact a financial advisor 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.

## www.kiwisaver.govt.nz

Go to our website for information, services and tools.

- **My KiwiSaver** – login to check your scheme provider, contributions and start date details.
- **Forms and guides** – download our guides, and print forms to post to us.
- **Contact us** – for full details of phone numbers, addresses and contact options.

For free, independent information about money matters go to **www.sorted.org.nz**

New Zealand Government