

Putting KiwiSaver to the test

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KiwiSaver – a super scheme for all?

- 1 July - KiwiSaver launched
- Is the average Kiwi worker ready?
- Financial knowledge essential
- Preparation crucial - education needed



Preparing for KiwiSaver

- Retirement Commission's/Sorted campaign:

- | | Promotion starts |
|--|------------------|
| - Sorted KiwiSaver Decision Guide | (June 2007) |
| - Sort Me | (May 2007) |
| - www.sorted.org.nz | (May 2007) |



KiwiSaver: Making a decision

1. How much will KiwiSaver cost me each pay?
2. How much will I save by 65 years of age?
3. Should I 'stay in', 'opt out' or 'opt in' to the scheme now?
4. What type of scheme should I select?
5. What incentives am I looking for in a scheme?



Reasons for Joining KiwiSaver

- I like the idea of \$1000 kick-start from the government
 - A 30 year old earning \$50,000 pa will have saved
 - \$3025 after 1 year of contributing 4%
 - 35 years no further contributions = \$7,179
 - 35 years at 4% = \$196,781
 - 35 years at 8% = \$391,203



Reasons for Joining KiwiSaver

- I can put my contributions towards a first home deposit and might be eligible for a First Home Subsidy after three years



Reasons for Joining KiwiSaver

- I like the idea of savings I can't access until I'm 65, or whenever I'm eligible for New Zealand Superannuation



Reasons for Joining KiwiSaver

- I'm not a natural saver so I need something that's easy to manage. The fact that it comes out of my pay before I see it is a plus.

Reasons for Joining KiwiSaver

- I can afford to contribute the minimum of 4% of my pay each year

Annual salary	4% contribution per annum
\$30,000	\$ 1196
\$50,000	\$ 1976
\$70,000	\$ 2808

Source: www.sorted.org.nz - Quick KiwiSaver calculator



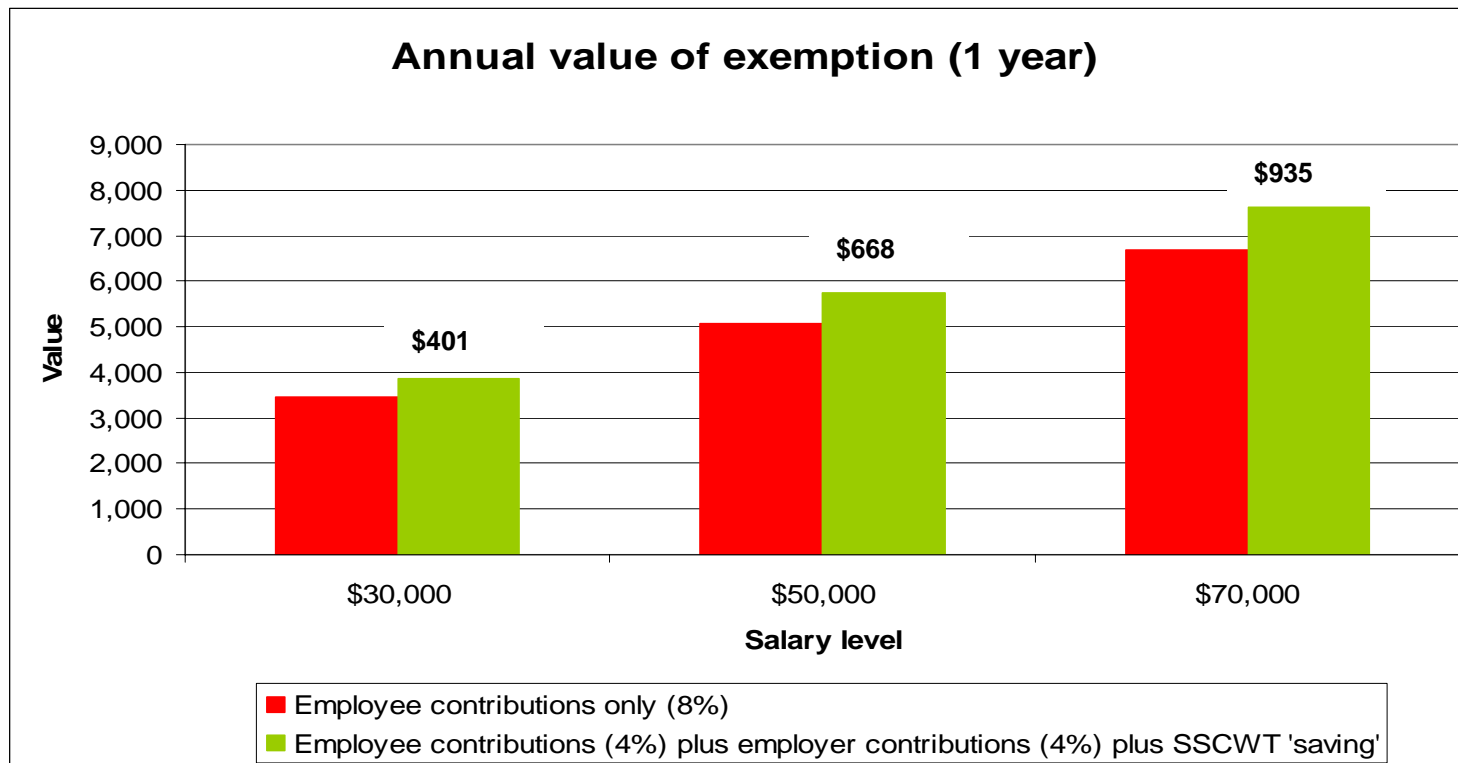
Reasons for Joining KiwiSaver

- I feel relieved that I can put my contributions on hold if I hit a rough patch or if I just change my mind after 12 months



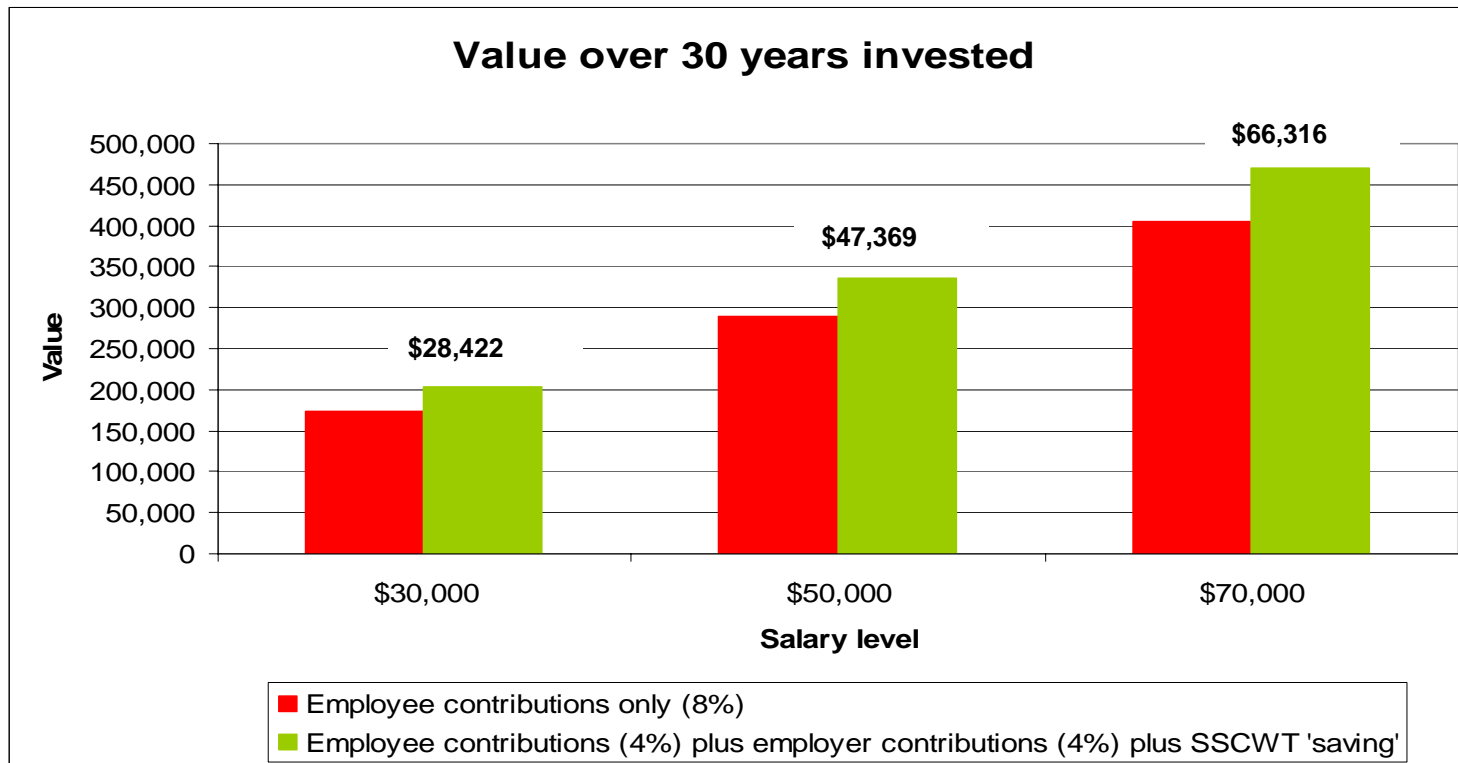
Reasons for Joining KiwiSaver

- My employer may make a contribution over and above my existing salary



Reasons for Joining KiwiSaver

- My employer may make a contribution over and above my existing salary



Reasons for Joining KiwiSaver

- My employer isn't making an additional contribution but I'm debt free and I need to start saving for my retirement



Reasons Not to Join KiwiSaver

- I know that my first priority should be to get rid of high-interest debt. I have a fair amount of credit card, hire purchase or personal debt that I should pay off first
 - \$50,000 pa salary, \$5000 credit card bill - join KiwiSaver or not?

ONE at a TIME	BOTH
Credit card then 4% into KiwiSaver	Pay off credit card first and join KiwiSaver
Time: takes 1.5 years to pay off card - net position after 4 years \$11,198	Time: takes 4 years to pay off card - net position \$10,148

✓ \$1,050 better off by settling their credit card first & then joining KiwiSaver

Reasons Not to Join KiwiSaver

- I already have some investment options I'm happy with that are as least as good or better



Reasons Not to Join KiwiSaver

- I can't afford to spare the 4% minimum of my pay each year



Reasons Not to Join KiwiSaver

- I don't want to have my savings locked away until I'm 65 (or for five years if I'm aged over 60)



Reasons Not to Join KiwiSaver

- I already have a savings plan in place for my retirement income



Reasons Not to Join KiwiSaver

- My employer isn't going to make any additional contributions so I'd rather put that money into my mortgage until it's paid off
 - 30 years old, \$50,000 pa, \$200,000 mortgage (20 years)
 - Continue with mortgage and join KiwiSaver? *OR* Increase mortgage repayments & join KiwiSaver when repaid
 - \$79,514 better off by increasing mortgage payments by 4% and then joining KiwiSaver



Reasons not to join Kiwisaver

- My employer isn't going to make any additional contributions so I'd rather put that money into my mortgage until it's paid off
 - KiwiSaver for 1 year - contributions holiday, is worth it in some circumstances



KiwiSaver – opt in, stay in, opt out?

- Seriously consider joining KiwiSaver if you:
 - Will receive employer contributions
 - Plan to buy your first home in 3-5 years
 - Salary sacrifice is available in your workplace
 - Are close to 60 years of age
 - No debt and want to begin saving seriously



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