Inland Revenue
Te Tari Taake

KiwiSaver
Poua he Oranga

KS 3 | May 2015

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 (NZ Super) which is currently age 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** (search 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** (search 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 (ie, on or after day 14 and on or before day 56) 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

If you're over 18 you're entitled to:

- an annual member tax credit paid by the government of up to $521.43
- employer contributions that match 3% of your gross earnings.

Three years after your first KiwiSaver contribution you may be able to use your savings to buy your first home. You may also be eligible for the KiwiSaver HomeStart grant from Housing New Zealand. For more information on first home withdrawals go to **www.kiwisaver.govt.nz** (search 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** (search 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 3%, 4% or 8%. If you don't choose a rate the default rate of 3% 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** (search 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 3% of your pay before tax.

All employer contributions paid to a superannuation fund for the benefit of an employee are liable for ESCT (employer superannuation contribution tax). The exception to this is if the employee and employer have agreed to treat some or all of the employer contributions as salary or wages under the PAYE rules.

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).

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** (search 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 3% 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), or
- you've been in KiwiSaver for at least five years (if you joined over the age of 60).

The later of these two dates will apply.

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 (to a country other than Australia)
- suffering significant financial hardship
- seriously ill.

If you die, your KiwiSaver savings will be paid to your estate.

If you move to Australia permanently, you can't withdraw your KiwiSaver savings. You can either:

- keep your savings in your current KiwiSaver scheme, or
- transfer your savings to an Australian complying superannuation scheme.

For more information read our *Tax Information Bulletin* Vol 22, No 10 (November 2010) at **www.ird.govt.nz**

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 Financial 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** – log in 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 phone numbers, addresses and contact options.

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

New Zealand Government