

KiwiSaver: A guide for children and young people

Introducing KiwiSaver

Most Kiwis believe it's important to save money for the future. But, as many of us know, saving is often easier said than done.

That's where KiwiSaver comes in. It's a voluntary savings initiative designed to make it easier for New Zealanders to put money aside for the future.

The information in this pack covers some of the key points you'll need to know if you're considering KiwiSaver for a child, or if you're under 18 and thinking of joining.

If you'd like more information, visit www.kiwisaver.govt.nz

What's important to know?

- Joining KiwiSaver is a big financial decision. Once you've joined, you can't opt out. Only employees who have been automatically enrolled by their employer have the right to opt out, and they must do so within a specified time-frame.
- Your KiwiSaver savings are 'locked in' and normally cannot be withdrawn until you're eligible for New Zealand Superannuation (NZ Super) at age 65.
- When you start working, even if it's a part-time job, KiwiSaver contributions will be deducted from your wages at the rate of 2% (or you can choose 4% or 8%) of your pay, unless you take a 'contributions holiday' (see page 7). If you're having contributions deducted from your pay, you may be entitled to a compulsory employer contribution when you turn 18.
- Everyone who joins KiwiSaver is entitled to a \$1,000 kick-start from the government.
- KiwiSaver members who are under 18 are not eligible to receive the annual member tax credit.

What are the benefits of joining KiwiSaver?

\$1,000 kick-start payment

To get your savings off to a good start, the government will kick-start your KiwiSaver account with \$1,000. Usually this is paid into your account three months after your scheme provider tells us that you've joined.

Buying a first home

After being a member of KiwiSaver for three years you may be able to withdraw all or part of your savings (except for your \$1,000 kick-start and member tax credit) to put towards buying your first home.

If you've been contributing you may also be entitled to a first home deposit subsidy through Housing New Zealand Corporation. For more information about the eligibility criteria and subsidy entitlements please contact Housing New Zealand.

The member tax credit

You'll be entitled to a member tax credit of up to \$1,040 each year when you turn 18.

Employer contributions

When you turn 18 – if you're working – you may be entitled to compulsory employer contributions, so your employer will be paying money into your KiwiSaver account too.

Who can join?

To be eligible to join KiwiSaver, you must:

- live, or normally live, in New Zealand
- be a New Zealand citizen or entitled to stay in New Zealand indefinitely, and
- be under the age of eligibility for NZ Super (currently you're eligible when you turn 65).

How do you join?

If you're under 18, you join KiwiSaver by choosing a scheme provider and applying direct to them.

If a scheme provider accepts a person who is under 18 as a member, the contract between the provider and the person must be treated as if the person were aged 18.

Note: If you're 16 or 17 and you'd like to join KiwiSaver, you need to talk to your chosen scheme provider. They'll tell you if you can apply direct by yourself, or if a parent or guardian needs to do it on your behalf.

KiwiSaver scheme providers

Your savings will be invested in a KiwiSaver scheme by your scheme provider. There's a wide range of schemes and investment funds to choose from, from lower-risk conservative funds to higher-risk growth funds. The return and fees you'll be charged can vary.

Before choosing a scheme provider, find out about the ones you're interested in and how they plan to invest the money.

The scheme provider's investment statement will explain these things. Please be sure to read the investment statement – it's an important document that sets out the specific rules, fees, terms and conditions of the scheme and also explains how money is invested.

KiwiSaver is not guaranteed by the government. This means you invest in a KiwiSaver scheme at your own risk. However, all KiwiSaver schemes are regulated in a similar way to other registered superannuation schemes and are governed by trust deeds.

To get a full list of scheme providers, go to www.kiwisaver.govt.nz or call us on 0800 KIWISAVER (0800 549 472).

Changing schemes

You can change schemes at any time by applying to the provider of the scheme you'd prefer to belong to. However, you can only belong to one KiwiSaver scheme at a time.

Contributions

Unless you're an employee working for salary or wages, your contribution amount will be agreed with your scheme provider. Your scheme provider may set a minimum amount and payment periods, such as monthly or quarterly.

You can also make voluntary contributions on top of the minimum contributions.

Contributions can be paid direct to your scheme provider, or through us.

Starting work?

If you're a member and you start working, even if it's a part-time job, KiwiSaver contributions will be deducted from your wages. You can choose whether you'd like to contribute 2%, 4% or 8% of your pay. If you're over 18, you may be entitled to employer contributions.

If you'd like to take a break from making contributions, you can take a contributions holiday. Your contributions holiday can last between three months and five years.

You can only apply for a contributions holiday within the first 12 months of joining if you're experiencing, or likely to experience, financial hardship.

Note: You can only take a contributions holiday if you're having contributions deducted from your salary or wages. If you're making payments direct to your scheme provider, you'll have to organise any break in payments direct with them.

When can savings be withdrawn?

You can withdraw your savings, including the \$1,000 government kick-start, the member tax credits and employer contributions, as a lump sum when you qualify for NZ Super (currently when you turn 65).

You may be able to withdraw some of your savings earlier if:

- after three years you'd like to buy your first home
- you experience significant financial hardship
- you suffer serious illness
- you move overseas permanently.

In most cases, you can apply direct to your KiwiSaver scheme provider if you'd like to withdraw your savings.

Getting financial advice

Inland Revenue can't give you advice about whether KiwiSaver is the right choice for you or what scheme you should join.

For help in making your decision, you can go to **www.sorted.org.nz** This is the Retirement Commission's website and it provides free, independent information about money matters, including KiwiSaver:

Or you could contact a financial advisor to talk about:

- your personal finances
- whether or not KiwiSaver is right for you
- how to choose a scheme provider or investment product
- the overall KiwiSaver scheme and its financial concept.

How to contact us

Phone

0800 KIWISAVER (0800 549 472)

04 978 0800 if you're using a cellphone

00 64 4 978 0779 if you're calling from overseas

Language line

If your first or preferred language isn't English, we'll get an interpreter to help with the call.

Deaf or hearing-impaired service

Fax 0800 447 755

Postal address

Inland Revenue

PO Box 1454

Hamilton 3240

www.kiwisaver.govt.nz

New Zealand Government

Customer service quality monitoring: As part of our commitment to providing the best possible service to our customers, Inland Revenue records all phone calls answered in, and made by, our permanent call centres. For further information about our call recording policy and how you can access your recorded information, please go to www.kiwisaver.govt.nz or call us on 0800 KIWISAVER (0800 549 472).