

## Snapshot of KiwiSaver

KiwiSaver is part of a package of government initiatives designed to increase saving by New Zealand households.

It encourages a long-term saving habit and asset accumulation by those who want to enjoy more than a basic standard of living in their retirement.

### What are we doing?

The original KiwiSaver model announced in Budget 2005 encouraged participation by offering:

- \$1,000 kickstart from the government
- annual fee subsidy, and
- first-home deposit subsidy (for some).

In August 2006, the government also announced that matching contributions by employers (up to 4 per cent of gross salary) would be tax exempt.

In Budget 2007, the government has significantly enhanced the incentives to save through KiwiSaver by:

- providing a tax credit to savers that matches their contributions into KiwiSaver (or a complying superannuation fund) up to a maximum of \$20 per week (\$1,040 per year) from 1 July 2007, and
- phasing in compulsory matching employer contributions from 1 April 2008 as follows:

From	Employer contribution (as % of employee's gross salary)
1 April 2008	1
1 April 2009	2
1 April 2010	3
1 April 2011	4

The government will provide employers with a tax credit that reimburses their contributions at a rate of 100 per cent, up to \$20 per week (\$1,040 per year) per employee from 1 April 2008.

## How much is the government contributing?

How much the additional KiwiSaver incentives will cost depends on the numbers that join KiwiSaver and how quickly they do so. Budget 2007 invests:

<b>\$ million</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>
Member tax credit	144	351	478	586
Employer tax credit	62	292	453	585
Additional KiwiSaver take up (kickstart, fee subsidy <sup>1</sup> , etc)	97	50	75	43
<b>Total</b>	<b>303</b>	<b>693</b>	<b>1006</b>	<b>1214</b>

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<sup>1</sup> Note that this includes the full cost of the fee subsidy for all KiwiSaver members (\$40 per annum) as the size of the subsidy has only recently been determined.