

KiwiSaver – how changes affect New Zealanders

1. 35-year old couple on average household income.

Ben and Megan are both 35 years old. Ben works full time and earns \$52,000 a year and Megan works part time earning \$25,000 a year. Their combined income is equivalent to the average household wage. They join KiwiSaver on 1 April 2013 and both contribute the new minimum rate – 3 per cent of their gross wages.

Ben contributes \$29.92 a week and his employer contributes 3 per cent, or \$24.68 a week after tax. He receives the equivalent of \$10 a week in government contributions through the annual Member Tax Credit. Megan contributes \$14.38 a week and her employer contributes 3 per cent, or \$11.87 a week after tax. She receives the equivalent of \$7.19 a week from the Member Tax Credit.

By age 65 Ben and Megan would have combined savings of about \$247,500. This would be enough to provide gross income of about \$15,000 a year in retirement over and above the married rate of NZ Superannuation – currently \$27,194 a year after tax.

2. 30-year old on average wage

Steven is 30 and earns \$50,000 – about the average wage. Steven joins KiwiSaver on 1 April 2013 and contributes the new minimum rate of 3 per cent of his gross wage – \$28.77 per week. Steven's employer contributes 3 per cent, or \$23.73 a week after tax. He receives the equivalent of \$10 a week from the Member Tax Credit.

At age 65 Steven would have about \$190,000, which would be enough to provide gross income of around \$11,500 a year in retirement over and above the single rate of NZ Superannuation – currently \$17,676 a year after tax.

3. 18-year old on the minimum wage

Blair is 18 and earns just over \$27,000 a year – around the minimum wage. Blair joins KiwiSaver on 1 April 2013 and contributes the new minimum rate of 3 per cent of his gross wage – \$15.60 a week. Blair's employer contributes 3 per cent, or \$12.87 a week after tax. He receives the equivalent of \$7.80 a week from the Member Tax Credit.

At age 65 Blair would have about \$195,000, which would be enough to provide gross income of more than \$11,500 a year in retirement over and above the single rate of NZ Superannuation – currently \$17,676 a year after tax.

4. 30-year old couple each earning \$45,000, contributing 4 per cent and intending to use the first home buyer subsidy

Bechi and Dan are both 30 and each earn \$45,000 a year. They both join KiwiSaver on 1 April 2013 and choose to contribute 4 per cent of their gross wage – \$34.52 a week each. Their employers contribute 3 per cent, or \$21.36 after tax. They each receive the equivalent of \$10 a week from the Member Tax Credit.

After three years, if Bechi and Dan decided to buy their first home, they may be eligible for a first home deposit subsidy of \$3,000 each, which increases to a maximum of \$5,000 after five years. They could also withdraw their own contributions, their employers' contributions and their fund returns to buy their first home. After five years they would have about \$36,000 available for withdrawal, and if their combined income remained under \$100,000, they would also be eligible for the \$5,000 deposit subsidy, pushing their total first-home deposit to about \$46,000.

Assuming they withdrew the maximum amount to buy their first home, at age 65 Bechi and Dan would have a combined balance of about \$345,000, which would be enough to provide gross income of about \$21,000 a year in retirement over and above the married rate of NZ Superannuation – currently \$27,194 a year after tax.

5. 45-year old couple with household income of \$120,000

Tama and Lisa are both 45. Tama earns \$80,000 a year and Lisa earns \$40,000 a year. They both join KiwiSaver on 1 April 2013 and contribute the new minimum rate of 3 per cent of their gross wage. Tama contributes \$46.03 a week and his employer contributes 3 per cent, or \$32.22 a week after tax. He receives the equivalent of \$10 a week from the Member Tax Credit. Lisa contributes \$23.01 a week and her employer contributes 3 per cent, or \$18.99 a week after tax. She receives the equivalent of \$10 a week from the Member Tax Credit.

At age 65 Tama and Lisa would have about \$200,000, which would be enough to provide gross income of about \$12,000 a year in retirement over and above the married rate of NZ Superannuation – currently \$27,194 a year after tax.

6. 35-year old earning \$80,000

Matt is 35 and earns \$80,000 a year. He joins KiwiSaver on 1 April 2013 and contributes at the new minimum rate of 3 per cent of his gross wage – or \$46.03 per week. Matt's employer also contributes 3 per cent, or \$32.22 a week after tax. Matt receives the equivalent of \$10 a week from the Member Tax Credit.

At age 65 Matt would have about \$225,000, which would be enough to provide gross income of about \$13,500 a year in retirement over and above the single rate of NZ Superannuation – currently \$17,676 a year after tax.

7. 40-year old earning \$100,000

Lelani is 40 and earns \$100,000. She joins KiwiSaver on 1 April 2013 and contributes at the new minimum rate of 3 per cent of her gross wage – \$57.53 a week. Lelani's employer contributes 3 per cent, or \$38.55 a week after tax. She receives the equivalent of \$10 a week from the Member Tax Credit.

At age 65 Lelani would have about \$212,500, which would be enough to provide gross income of more than \$12,500 a year in retirement over and above the single rate of NZ Superannuation – currently \$17,676 a year after tax.

8. 50-year old existing member on average wage

Emma is 50 and earns \$50,000 – about the average wage. She joined KiwiSaver in July 2007 and first contributed 4 per cent of her gross wage. She currently contributes 2 per cent, or \$19.18 a week and this is matched by her employer. She also receives the same amount from the Member Tax Credit, which will reduce to the equivalent of \$9.59 a week for the year to 30 June 2012 and beyond.

From 1 April 2013 Emma's minimum contribution will rise to 3 per cent, or \$28.77 a week. Because her contributions rise the amount she receives from the Member Tax Credit will increase to the equivalent of \$10 per week. Her employer's contribution will also increase to 3 per cent, or \$23.73 a week after tax. At age 65 she would have about \$75,000. This would be enough to provide gross income of about \$4,500 a year in retirement over and above the single rate of NZ Superannuation – currently \$17,676 a year after tax.

9. 30-year old existing member earning \$40,000

Nick is 30 and earns \$40,000 a year. He joined KiwiSaver in July 2007 and contributes 4 per cent of his gross wage – \$30.68 a week. His employer contributes \$15.34 a week. He currently receives the equivalent of \$20 a week from the Member Tax Credit, which will reduce to the equivalent of \$10 a week for the year to 30 June 2012 and beyond.

From 1 April 2013, Nick's employer contribution will increase from 2 per cent to 3 per cent, or \$18.99 a week after tax. If Nick leaves his contribution rate unchanged, then at age 65 he would have about \$215,000. This would be enough to provide gross income of \$13,000 a year in retirement over and above the single rate of NZ Superannuation – currently \$17,676 a year after tax.

10. 50-year old couple with household income of \$100,000

Jeremy and Chloe are both 50. Jeremy earns \$75,000 a year, while Chloe works part time and earns \$25,000 a year. They both join KiwiSaver on 1 April 2013. As their children have now left home and they have paid off their mortgage, they choose to contribute 8 per cent of their gross wages. Jeremy contributes \$115.07 a week. His employer contributes 3 per cent of his gross wage, or \$30.21 a week after tax. He receives the equivalent of \$10 a week from the Member Tax Credit. Chloe contributes \$38.36 a week. Her employer contributes 3 per cent, or \$11.87 a week after tax. She receives the equivalent of \$10 a week from the Member Tax Credit.

At age 65 Jeremy and Chloe would have combined savings of about \$217,500. This would be enough to provide gross income of about \$13,000 a year over and above the married rate of NZ Superannuation – currently \$27,194 a year after tax.

If Jeremy and Chloe had contributed only 4 per cent of their gross wage, they would have combined savings of about \$140,000, or enough to provide additional gross income of about \$8,500 a year in retirement.

Assumptions used in KiwiSaver examples

- Although the Member Tax Credit is paid annually after the government financial year, the estimated annual amount has been averaged on a weekly basis for the purposes of these examples.
- All retirement savings figures are in today's dollars, based on funds earning a real return of 4 per cent a year and real wage growth of 1.5 per cent a year, unless otherwise stated.
- The Member Tax Credit and tax rates are not indexed for inflation.
- Estimated retirement income is based on life expectancy of 25 years in retirement and an annual real return of 4 per cent a year. Payments are inflation adjusted to preserve real value.