

FIRST HOME BUYERS GET A BOOST FROM KIWISAVER

A series of changes to the KiwiSaver first home buyers package will come into effect from 1 April 2015.

There are three main changes:

1. The KiwiSaver First Home Deposit Subsidy is to be replaced with a KiwiSaver HomeStart Grant. This will double the support for buying a newly built home and increase the house price limits;
2. Enabling larger KiwiSaver First Home Withdrawals by including the member tax credits (meaning first home buyers will now be able to withdraw all of their KiwiSaver savings except the \$1,000 kick-start);
3. Expanding eligibility for Welcome Home Loans by aligning the house price caps with the new KiwiSaver HomeStart Grant.

The following table details the specific changes.

	Current Rules			Changes from 1 April 2015		
General Eligibility Criteria	The recipient must; <ul style="list-style-type: none"> • have contributed to KiwiSaver for a minimum of 3 years • be a first home buyer ie; not have owned land or property before • live in the house for at least 6 months 			No Change		
Criteria Welcome Home Loans	<ul style="list-style-type: none"> • not have received a grant before • have a deposit of 10% or more of the purchase price (can include the grant) 			No Change		
Income Thresholds for Grants & Welcome Home Loans	<ul style="list-style-type: none"> • \$80,000 for a single buyer • \$120,000 for 2 + buyers 			No Change		
House Price Caps for Grants & Welcome Home Loans	Auckland	\$485,000		\$550,000		
	Wellington & Queenstown	\$425,000				
	Christchurch & Selwyn District	\$400,000				
	Hamilton, Tauranga, Western Bay of Plenty, Kapiti Coast, Upper Hutt, Hutt City, Porirua, Tasman, Nelson, Waimakariri	\$350,000				
	All Other Areas	\$300,000		\$350,000		
Grant	KiwiSaver First Home Deposit Subsidy			HomeStart (Existing Homes)		
	KiwiSaver Contributions	Single	Couple	KiwiSaver Contributions	Single	Couple
	3 years	\$3,000	\$6,000	3 years	\$3,000	\$6,000
	4 years	\$4,000	\$8,000	4 years	\$4,000	\$8,000
	5 years	\$5,000	\$10,000	5 years	\$5,000	\$10,000
				HomeStart (New Homes)		
				KiwiSaver Contributions	Single	Couple
				3 years	\$6,000	\$12,000
				4 years	\$8,000	\$16,000
				5 years	\$10,000	\$20,000
Kiwi Saver 1st Home Withdrawal	The 1st Home Buyer can withdraw all funds except; <ul style="list-style-type: none"> • the member tax credit • the Government \$1000 kick-start contribution 			The 1st Home Buyer can withdraw all funds except; <ul style="list-style-type: none"> • the Government \$1000 kick-start contribution 		

So what do the numbers look like for a first home buyer?

Let's use the example of a couple in Auckland who each earn \$50,000.

After five years of contributing to their KiwiSaver account at the minimum 3% rate they will be able to withdraw a total of **\$32,585** made up as follows:

NOTE: estimate only - excludes impact of investment returns

	Per Person	Couple
Employee Contributions over 5 years per person	\$7,500	\$15,000
Employer Contributions over 5 years per person (after deducting Employer Superannuation Contribution Tax)	\$6,188	\$12,376
Member Tax Credit per person	\$2,605	\$5,210
Combined Savings to Withdraw		\$32,586

They will also be eligible to receive a \$20,000 KiwiSaver HomeStart Grant, giving them a **\$52,500** deposit on a new home. With the Welcome Home Loan scheme allowing only a 10 per cent deposit, they will be able to buy a home up to \$525,000 *in value*.

KIWISAVER – WILL YOU HAVE ENOUGH TO RETIRE?

Only 39 per cent of those with a retirement savings target are confident of reaching their goals.

ANZ calculates that a 30 year-old earning \$50,000 a year, contributing 3 per cent of their salary into KiwiSaver using the life stages investment approach, could achieve about \$340,000 in their account when they reach 65. This would deliver about \$200 a week in 35 years' time when adjusted for inflation.

Add on the \$282 per week that pensioners currently get (based on being married or in a de facto relationship) and you will be living on \$482 per week. Is this enough for you? Have you thought about what type of retirement you would like to live? Cruising the Mediterranean or sitting at home with a blanket on your lap because you can't afford the power bill?

It may seem like a long way away for many of you, but you need to take action now, in order to live the retirement you want down the track.

Things to Consider:

- Increase your contribution – even by increasing it by 1% can make a big difference at the end.
- Make sure you are with a good performing provider – not all KiwiSaver providers perform the same. Have you checked how yours is doing? The returns can vary significantly.
- Make sure you have your money in the right type of fund – do you know if you are in a Conservative fund? Balanced fund? Growth fund?
- Ensure you are on the right PIR tax rate