

Important information: Changes to KiwiSaver announced in Budget 2011

The 2011 Budget announced significant changes to KiwiSaver that you need to be aware of in considering whether to join the Lifestages KiwiSaver Scheme. The changes are also relevant to existing members of the Lifestages KiwiSaver Scheme.

The changes are as follows:

- 1 Starting from the year commencing 1 July 2011, the maximum member tax credit will reduce to \$521.43 per year. The rate at which member tax credits match member contributions will also reduce from dollar for dollar to 50c for every dollar contributed. This means that to receive the maximum member tax credit a member who qualifies to receive member tax credits will still need to contribute \$1,042.86 each member tax credit year (1 July to 30 June).
- 2 The current tax exemption for compulsory employer contributions will cease with effect from 1 April 2012. From this date, compulsory employer contributions will have employer superannuation contribution tax deducted from them before being credited to the Scheme. Deductions will be made at the following rates (which may change in the future):

Income	Rate
not more than \$16,800	10.5%
between \$16,801 and \$57,600	17.5%
between \$57,601 and \$84,000	30%
exceeds \$84,001	33%

- 3 The minimum member contribution and compulsory employer contribution rates will increase to 3% of gross salary or wages from 1 April 2013. 3% will become the default member contribution rate for members who do not choose to contribute at a higher rate. No announcements have been made as to the possibility of further increases or other changes to the minimum rates in the future.

No changes have been made to the \$1,000 kick-start contribution for new KiwiSaver scheme members, or to the first home deposit subsidy from Housing New Zealand of up to \$5,000 for members who qualify. The law also still allows you to take a contributions holiday once you have been a member of a KiwiSaver scheme for 12 months or more (or at any time, if the IRD is satisfied that you are suffering or likely to suffer financial hardship).

The law changes required to reduce the member tax credit and remove the tax exemption for compulsory employer contributions have been made. The law changes required to increase the member and compulsory employer contribution rates have not yet been made. These changes are not expected to be made until after the November general election, and are effectively conditional on a National-led government being re-elected.

More information about the Lifestages KiwiSaver Scheme can be found in the current investment statement. (This is located under the section titled: How do I Join the Lifestages KiwiSaver Scheme or Transfer from my Existing Scheme?)

If you have any questions about these changes, please call 0800 502 442.

This information was prepared on 30 May 2011 and reflects tax and KiwiSaver law on that date. Tax and KiwiSaver laws are subject to change. You should seek professional advice before joining the Scheme or withdrawing from the Scheme.