

## SHOULD WE THINK ABOUT KIWISAVER NOW?

(Community Newspaper article 18/5/07)

**Yes, Yes and Yes.** KiwiSaver comes into force on 1<sup>st</sup> July this year, less than 2 months away. The government is giving away some lolly to entice you to stay in it, and fund managers around the country will be vying for their share of an early Christmas windfall. It is ironic that a number of years ago at an ING meeting, Michael Cullen would not contemplate tax exemptions for saving. I guess the Funds Industry won their argument and you benefit.

Employers have a responsibility to their employees and likewise employees have a responsibility to themselves, to make sure all have unbiased information when deciding which savings option to take, or indeed whether to take part at all.

Not all funds are equal and the curse of making a 'no decision' on where your savings should go, will most likely mean your returns will be low. The 'no decision' savings are likely to go to lower performing, lower risk funds. Furthermore there is the issue of (hidden) fund fees, a veritable minefield. KiwiSaver does seek to minimise these, but it pays to check these things out with your adviser.

If all this sounds gobble-de-gook, you need to be talking to someone who understands managed funds and not just someone flogging one or two products. The right choices will ultimately make a huge difference to what you get at the end – your retirement nest-egg. Full detailed information is now available since the Budget. By simply 'Googling' 'KiwiSaver', you can educate yourself heaps. We do in-house business seminars and provide packs – to help businesses and employees make their decisions.

The need for saving or investment is paramount to the health and future of an economy, as well as ourselves, to alleviate the need for subsistence level government assistance when we retire. Many of us have different ways of achieving this and Kiwi-Saver is but one way. It is not perfect, but no broad based scheme ever will be. The main concern is that future governments do not manipulate it or use it as a reason to delay providing the existing tax based pension to later than 65. Below is a chart to illustrate the dynamics of saving and the so called 'eighth wonder' of the world – Compound Interest.

<b>Kim</b> Starts age 26 Saves \$2,000 pa Until age 65			<b>Brad</b> Starts age 19 Saves \$2,000 pa For 7 years only			<b>Kelly</b> Starts age 39 Saves \$3,000 pa Until age 65		
Age	Cumulative Investment	Year-End Value	Age	Cumulative Investment	Year-End Value	Age	Cumulative Investment	Year End Value
19	\$0	\$0	19	\$ 2,000	\$ 2,200	19	\$0	\$0
26	\$ 2,000	\$ 2,200	26	\$ 14,000	\$ 22,959	26	\$0	\$0
40	\$30,000	\$ 69,899	40	\$ 14,000	\$ 87,187	40	\$ 6,000	\$ 6,930
50	\$50,000	\$216,364	50	\$ 14,000	\$226,140	50	\$36,000	\$ 70,568
65	\$80,000	\$973,704	65	\$ 14,000	\$944,641	65	\$81,000	\$399,630

\* With KiwiSaver returns will vary from year to year

\* Assumes average annual interest rate 10% pa

Message - Don't wait, research it, do something.  
- You get an immediate \$1,000 from government then a top-up of up to \$20 pw plus an employer contribution. Why wouldn't you do it?