

FILE NOTE

Client: CTU  
Subject: KiwiSaver accumulations

Date: 18 December 2008  
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We have been asked to calculate some KiwiSaver accumulations and have assumed a split of 4% employee contributions and 2% employer contributions. The following are the other assumptions used in the calculations, with the results being shown in the table below in today's dollars:

1. The employee and employer start contributing to KiwiSaver immediately.
2. Employee salaries are assumed to increase at 3.5% per annum. Contributions are made fortnightly and assumed to increase in line with salary (eg. \$200 today will be \$230 in 4 years).
3. Investments are in a managed fund which is a PIE (Portfolio Investment Entity). The PIE income is taxed at either 19.5% or 30%, depending on the salary.
4. KiwiSaver contributions are assumed to be invested in a balanced fund earning a net real return of 3% per annum (on 30% tax rate) or 3.5% per annum (on 19.5% tax rate).
5. No contributions holidays are taken.
6. The one-off Government contribution of \$1,000 is received 3 months after the first contribution is deducted from the pay.
7. Tax credits worth a minimum of annual employee contributions and \$1,042.86 each year are included from the date of the calculation.
8. Employer contributions will be at 1% of employee salaries from 1 April 2008, increasing to 2% from 1 April 2009.
9. A fee subsidy worth \$40 annually ceases after 1 April 2009.

**Specimen KiwiSaver accumulations at age 65 (in today's dollars)**

Contribution split: 4% employee, 2% employer

	Salary						
	\$20,000	\$30,000	\$40,000	\$50,000	\$60,000	\$70,000	\$80,000
Age 20	241,022	326,237	359,306	431,152	502,997	574,843	646,689
Age 25	191,521	258,470	288,397	345,451	402,506	459,560	516,614
Age 30	150,204	202,077	228,278	272,895	317,513	362,131	406,748
Age 35	115,728	155,196	177,370	211,563	245,755	279,948	314,140
Age 40	86,962	116,256	134,313	159,797	185,281	210,765	236,249
Age 45	62,949	83,933	97,932	116,171	134,410	152,648	170,887
Age 50	42,882	57,112	67,216	79,455	91,694	103,934	116,173
Age 55	26,079	34,849	41,292	48,591	55,889	63,187	70,485
Age 60	12,104	16,349	19,408	22,664	25,919	29,174	32,430
Age 65	12,104	16,349	19,408	22,664	25,919	29,174	32,430

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