

FILE NOTE

Client: CTU
 Subject: **KiwiSaver accumulations**

Date: 22 December 2008
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We have been asked to calculate some KiwiSaver accumulations and have assumed a split of 2% 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: 2% employee, 2% employer

| | Salary | | | | | | |
|--------|----------|----------|----------|----------|----------|----------|----------|
| | \$20,000 | \$30,000 | \$40,000 | \$50,000 | \$60,000 | \$70,000 | \$80,000 |
| Age 20 | 161,856 | 231,452 | 259,930 | 311,082 | 359,109 | 406,974 | 454,838 |
| Age 25 | 128,002 | 183,437 | 209,226 | 250,077 | 288,227 | 326,234 | 364,242 |
| Age 30 | 99,667 | 143,374 | 166,107 | 198,287 | 228,130 | 257,851 | 287,571 |
| Age 35 | 75,938 | 109,959 | 129,461 | 154,363 | 177,243 | 200,016 | 222,790 |
| Age 40 | 56,151 | 82,088 | 98,328 | 117,140 | 134,202 | 151,173 | 168,144 |
| Age 45 | 39,980 | 58,832 | 71,878 | 85,614 | 97,836 | 109,980 | 122,123 |
| Age 50 | 26,843 | 39,431 | 49,396 | 58,919 | 67,133 | 75,279 | 83,425 |
| Age 55 | 16,233 | 23,646 | 30,263 | 36,308 | 41,221 | 46,075 | 50,928 |
| Age 60 | 7,724 | 10,991 | 14,087 | 17,135 | 19,347 | 21,507 | 23,666 |
| Age 65 | 7,724 | 10,991 | 14,087 | 17,135 | 19,347 | 21,507 | 23,666 |

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