



KiwiSaver Newsletter

April 2015

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Buying your first home or know someone who is???

For many of us, the kiwi dream of buying our first home seems to be getting further and further out of reach. Housing prices are at an all time high and unfortunately our incomes are not increasing at the same rapid pace!

The National Government have announced changes to KiwiSaver which are a step in the right direction to helping first home buyers.

A summary of the changes are:

- ✓ You can now withdraw Member Tax Credits (up to \$521.43 per year).
- ✓ Those building or buying a brand new home may be eligible to receive double the amount from the KiwiSaver HomeStart Grant of up to \$10,000 per person.
- ✓ Maximum house price levels for the KiwiSaver HomeStart Grant have increased.



This is exciting news for first home buyers who are looking at using their KiwiSaver towards the purchase of their first home.

So what does all this mean in actual dollar figures?

Let's use a simple example of Mr & Mrs Average, a Christchurch couple each earning the average wage of **\$56,000 p.a.** (\$27 hourly), contributing the current minimum of **3%** for **5 years**.

Assumptions:

- Average wage of \$56,000.00 p.a.
- 3% contribution rate
- Contributing for 5 years
- ESCT tax rate of 17.50%
- Expected investment return on a Conservative fund of 4.6% (net of fees and tax at 28% PIR)
- No inflation
- Purchasing a brand new home for \$450,000 or less
(*\$425,000 median price for Christchurch in February 2015 released by REINZ*)

Let's crunch the numbers!

	After 5 years
Employee Contributions	\$ 8,400.00
Employer Contributions	\$ 6,930.00
Member Tax Credits	\$ 2,607.15
Total Contributions	\$ 17,937.15
Investment return @ 4.6%	\$ 2,632.48
Available for withdrawal (each)	\$ 20,569.63

Total KiwiSaver withdrawal	\$ 41,139.26
Total HomeStart Grant (\$10,000 each)	\$ 20,000.00
Total amount towards new home	\$ 61,139.26

So.....based on our calculations above, Mr & Mrs Average would each be eligible to withdraw **\$20,569.63** from their individual KiwiSavers and apply for a grant of **\$10,000** each. **A total deposit of \$61,139.26** after only 5 years of saving and having only each contributed \$8,400 of their 'own' money!

The figures are compelling and we suspect will be of great delight to many of our KiwiSaver members. As one of our valued clients, we invite you to contact us at any time to discuss your KiwiSaver – we are here to help!

If you or any of your family members are able to take advantage of these great first home buyers benefits then please get in touch with us. We would be more than happy to provide an estimate for how much you can withdraw based on your personal situation.

Even more importantly, if you know friends or family who are already in KiwiSaver but not dealing with an adviser like us, please get them to contact us. Having access to a great facility is wasted if your KiwiSaver provider is not forth coming with the information or able to provide you with good advice.

Overseas Superannuation Schemes

We have assisted many clients recently in relation to their overseas superannuation schemes, particularly following changes to Trans-Tasman portability and the taxation of other (non-Australian) pension schemes. If you have worked overseas and have superannuation still there, please contact Michael, Steve or Jasmine to discuss your options and obligations.

Is The Perfect Storm Coming?

If we take a cocktail of highly combustible and volatile ingredients and throw them at a fast moving and seemingly unstoppable train, something will happen!

We are referring of course to property, Christchurch property in particular. We are beginning to have grave concerns about property pricing and the direction of this pricing over the next few years. So first, let's look at the ingredients that make up the property cocktail:

1. Interest Rates

They are low, and could go even lower in coming months. This has had an undoubted positive impact on property sales



2. Available Credit Supply

Not only is money cheap, there is plenty of it. There has never been more credit available, and with banks hell bent on lending it there is no shortage of mortgage money available. This has led to an increase in sub-prime lending.

3. Supply and Demand

The quakes of 2010 and 2011 destroyed 10,000 homes. Many more have been damaged sufficiently forcing people to move out during the repair process. Demand for housing for these people, and the people brought in to repair our broken city, has never been higher. At the same time our supply of housing has never been lower. This supply/demand equation has supported increased property prices until now, but new supply is coming on stream quickly and this can lead to an oversupply of property.

4. High Prices

Why New Zealand has the second highest average property price per capita (based on average income) in the western world is a topic we will cover in another article. The fact remains we have very expensive housing as measured by any reasonable standards. How does property keep defying gravity? Why should property go up 10.00% if wages go up only 1.00%?

5. Insurance Pay-outs

Due to significant increases in building costs in this city, insurance companies are turning more and more to cash pay-outs as opposed to re-building properties. This virtual flood of cash has forced up prices on properties in demand, and inevitably flowed through to the whole Christchurch property market.

6. Relative Incomes

There is no doubt that some parts of our city's work force in this city have been making a lot of money. We certainly don't blame them, however the average taxable income of a tradesman or anyone else involved in the rebuild has gone up. Higher incomes mean more funds available, after paying living costs, to service debt. More buyers in certain price brackets have forced up prices dramatically.



All these ingredients, and we suspect others too, are now all in the cocktail shaker. The train, of course, is the property market. We have no doubt the cocktail is being shaken, and stirred, and is ready to be thrown at the train. How big an explosion, and whether it will de-rail the out of control train, is an unknown. Our fear, or should we say – grave fear, is that if enough of the ingredients listed above get shaken (cease to be a positive factor on property prices), then the explosion will be more than enough to cause all sorts of damage. The last thing our city needs now is a property implosion.

Who to Contact?

You can speak to anyone in our team in relation to your KiwiSaver, however Michael and Jasmine are our KiwiSaver specialists advisers. They are available for any of your queries or advice.

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[Check out our website at www.rede.co.nz](http://www.rede.co.nz)

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