



# KiwiSaver Newsletter

## September 2016

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### Buying Your First Home – A Real Life Example

Harry and Sally recently arrived back in Christchurch after 2½ years away seeing the world. Their plan – to settle down, commence new careers, and buy their first home. This is Harry and Sally’s story (not their real names).



*Of the \$59,000 Harry and Sally accessed through KiwiSaver, only \$17,000 was contributed by them*

Our travelling couple arrived back in Christchurch in August last year. By September they both had new jobs. Both Harry and Sally have tertiary qualifications and their starting incomes were a little above the average full-time NZ salary of \$55,000 p.a. Their goal – to save as much as possible, as quickly as possible, so they could purchase their first home. The average house price in Christchurch was \$420,000 and they wanted a 20% deposit being \$84,000.

They were living with Harry’s parents and were therefore able to save the majority of their income. They had some savings but not enough after allowing for the purchase of a car and other important living “essentials” like phones, TV’s, and computers. They calculated that within 6 months they would have \$25,000 in cash. Not yet enough to put down as a deposit, but a start.

What they did have though, was KiwiSaver. In fact, they both had KiwiSaver. After enquiries they discovered the following:

- ✚ Harry’s accessible balance from KiwiSaver for a first home was \$18,100.
- ✚ Sally’s accessible balance from KiwiSaver for a first home was \$30,900.

This is a total of \$49,000 and, added to their existing saving of \$25,000, gave them \$74,000 – still not enough.

Their Rede adviser then assisted them both with their “KiwiSaver HomeStart Grant” applications. Again they were pleasantly surprised. You see, their adviser had encouraged them while overseas, to continue to contribute the minimum \$1,040 necessary each year to obtain the government contribution. Through good advice, and careful completion of their “KiwiSaver HomeStart Grant” application, they received the news that they both qualified for the maximum government grant of \$5,000 each to put towards a deposit on their first home. This could have been up to \$10,000 each if it had been for a brand new home. They now had the following:

<b>Savings</b>	<b>\$ 25,000</b>
<b>Harry’s KiwiSaver – accessible</b>	<b>\$ 18,100</b>
<b>Sally’s KiwiSaver – accessible</b>	<b>\$ 30,900</b>
<b>Harry’s First Home Start</b>	<b>\$ 5,000</b>
<b>Sally’s First Home Start</b>	<b>\$ 5,000</b>
<b>TOTAL TO USE AS DEPOSIT</b>	<b>\$ 84,000</b>



That meant they could buy a property up to \$420,000 and still have a 20% deposit therefore obtaining the best mortgage deal possible from their bank.

In March they found a home they wished to buy. By April they had moved in. The process to buy a home is complicated and for first home buyers sometimes frightening. For Harry and Sally it involved mortgages, insurance applications, EQC enquiries, engineer's reports, valuations, and dealing with solicitors and agents. The easiest part of the whole process was their KiwiSaver withdrawal and their KiwiSaver HomeStart Grant. And that was because their Rede adviser helped them through the process.



### When asked “What advice would you give other first homebuyer?” their reply was:

1. *Select a KiwiSaver provider which has an adviser – very important.*
2. *Keep contributing to your KiwiSaver, even while overseas, or at University, or not working.*
3. *Every year of regular contribution gives you another \$1,000 of KiwiSaver HomeStart Grant. Every dollar counts.*
4. *Planning and advice were very important. Our Rede adviser made it easy and saved us money.*

This is Harry and Sally’s story – and it is real. In summary, they purchased their first home within 6 months of arriving back in New Zealand with limited funds. They did so because they received great advice, not just at the withdrawal stage, but also at the commencement of their KiwiSavers, and when they went overseas.

Their last comment on this story – when they withdrew a combined total of \$49,000 from their KiwiSavers, and obtained a further \$10,000 KiwiSaver HomeStart, their own personal contributions were only \$17,000. This is only 29% of the total \$59,000 they accessed. The balance of the money was provided by employer contributions, by government tax credits, by government KiwiSaver HomeStart Grants, investment earnings, and initially by parents’ contributions while they were at university.

Not bad if you can get it!

## KiwiSaver HomeStart Grant CHANGES – effective 1 August

- + **Income Caps** increased to \$85,000 for one buyer / \$130,000 for two+ buyers.
- + **House Price Caps** increased in Christchurch, Waimakariri and Selwyn districts to \$500,000, or \$550,000 for new properties.
- + **Tax-Free Grants** of up to \$5,000, after 5 years of contributions, or \$10,000 for new properties per person.

## Who to Contact?

While you can speak to anyone in our team in relation to your KiwiSaver, our specialist KiwiSaver contacts are:

### Michael Shears

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*For investment selection and planning advice.*

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*For administration matters including online access.*



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