



Finance columnist
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Ask the expert

KEEPING UP WITH KIWISAVER



We've partnered with New Zealand's low-fee, nonprofit KiwiSaver provider Simplicity to answer your financial questions. Co-founder and financial commentator Amanda Morrall talks KiwiSaver contributions

Why is it so important to get KiwiSaver contributions right?

Because your future depends on it! Your contribution rate in KiwiSaver is one of the key factors that determines how much you'll save for your first home deposit (and how fast) and how much you'll have in retirement. It's in your best interests to get this right.

Some people contribute the minimum of 3% because that's all they can afford. Others pay the minimum when they can't afford to pay more, but then spend their discretionary on junk. The key is to contribute what is appropriate for your personal circumstances and consistent with your goals.

How can I work out what contribution is right for me?

Start by considering your current contribution rate. Most providers have calculators on their website which show you what you could expect to have saved by a certain age. They are based on your age, income, contribution rates and the fund type you're in. Fund types have varying rates of return, so understand the difference. The assumptions on projected returns, which are government mandated, are baked into all KiwiSaver

calculators and range from 1.5 to 5.5%, covering defensive to aggressive fund options. If you look at your last annual KiwiSaver account statement, you'll see a projection of the amount you'll have at retirement and how much that will give you on a weekly basis, with or without superannuation. If you see that you'll be left seriously short, it's a good idea to review and consider whether you should be contributing more. Or perhaps you need a plan for retirement that will help achieve your goals.

What do I need to consider before adjusting my contributions?

Debt is a factor. If you have a lot of credit card debt or a really high mortgage, you may be better off servicing that debt ahead of increasing your KiwiSaver contributions. Remember, credit card rates are about 19% interest and mortgage rates are going up fast too. Purpose-built calculators are your best friend. If you have extra dollars that could repay your mortgage faster, look at how much that will reduce

your interest costs over time. Similarly, if you have a high credit card balance, calculate those interest costs too. Many retirement planning experts suggest you should be paying at least 10% of your gross income toward retirement savings.

I'm struggling financially right now. What are my options?

Between inflation and increased interest rates on mortgages, many people are struggling. It probably doesn't make sense to pay 10% KiwiSaver contributions when you need to borrow money to get through the week. If the minimum of 3% is still leaving you short and you're falling behind, review your personal spending and decide where you can afford to cut back and on what. If you've exhausted

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your options and have been in KiwiSaver for more than a year, you can apply to Inland Revenue for a savings suspension, which can put your contributions on hold for up to a year. As a last resort, you can also consider a serious financial hardship

withdrawal application, which is subject to very strict criteria – your KiwiSaver provider can give you details of the requirements.

How do I change my contributions?

You can increase or lower your contributions by informing your employer or by changing the setting in myIR under KiwiSaver. Remember, if you decide to contribute more than 3% (you can elect 4%, 6%, 8% or 10%), your employer is still only required to contribute 3% of your gross salary. Some employers choose to contribute a higher percentage, which is a great benefit and something to negotiate when you get your next job or go through a pay review.

Is there anything else I need to keep in mind?

The two worst enemies of personal finance are fear and procrastination. The "I've been meaning to" psychology can destroy your financial wellbeing. Just start the process. Find your last annual statement, look at the projected amount and see what you're on track to have. On the back of that, you can experiment with the calculators and do some scenario planning. The worst thing you can do is nothing.