

KiwiSaver myth-busters

Feedback has shown there are some interesting misconceptions about KiwiSaver and particularly about employer obligations.

It's voluntary so I don't have to do anything – BUSTED!

As an employer, it is compulsory for you to make KiwiSaver available to employees. You need to distribute the KiwiSaver employee information packs to all new employees and any existing employees who ask for it or who indicate an interest in joining. Eligible new employees will be automatically enrolled and you will need to make deductions.

My employees don't want to join, so I don't have to do anything – BUSTED!

New employees will be automatically enrolled. You need to provide KiwiSaver employee information packs and start making deductions from their first pay.

I don't have any new employees, so I don't have to do anything now - BUSTED!

Your employees can ask you at any time for a KiwiSaver employee information pack. They can choose to sign up to KiwiSaver at any stage. You will need to know what to do.

The majority of our staff are part-timers or on temporary contracts so I don't have to do anything - BUSTED!

It doesn't matter if your staff are part-timers or under temporary contracts, anyone under 65 can join. Temporary employees employed for 28 continuous days or less won't be eligible for automatic enrolment to KiwiSaver but they can still join if they want to.

If my employees choose KiwiSaver I won't be able to afford the employer contributions - BUSTED!

From 1st April 2008 the government is proposing an employer tax credit of up to \$20 per week per employee. Employer contributions for any employees earning up to \$26,000 per annum will be completely covered by the government via this employer tax credit.

With the proposed compulsory employer contributions phased in over 4 years, starting at 1% from April 2008 and capping at 4% in April 2011, the early years of contributions for more highly paid employees will also be covered.

There is no point in choosing a preferred provider – BUSTED!

The choice is yours but you may want to seek advice. Choosing a preferred provider may mean better terms or fees for you and your employees. Employees who don't choose their own KiwiSaver provider will automatically go into their employer's preferred provider's scheme. This could give them different investment options than the government's 6 default funds and may mean you deal with less providers.

I've missed the boat, it's past 1 July - BUSTED!

It's not too late. July 1 was just the beginning. You can start anytime up until you turn 65.

There is no point in joining as I'm not far off 65 - BUSTED!

The kick-start and tax credits alone will boost your savings although you won't have access to your money until you reach the qualifying age for NZ Super (currently 65), or for five years, whichever is later.

There is no point in joining now as I won't retire for a long time - BUSTED!

It is true you can start later. Conversely, the sooner you start the sooner your account will benefit from the kick-start and tax credits.

I am not currently employed so I won't get any tax credits – BUSTED!

The tax credits are paid even though you do not earn an income. You just have to contribute and the government will match your contribution up to \$20 per week or \$1040 per year.