KIWISAVER FOR NON-EMPLOYEES

How do non-employees maximise the benefits?

By now, you've probably heard enough about Kiwisaver to realise it's a "no brainer" for savers. For employees, the game plan is clear but what about self-employed people and other non-employees? What should they do to maximise their benefits?

1. Just do it and Move Fast

Get in while the going is good

Practically everyone is eligible to join up until their 65th birthday. If you're approaching 65, move fast but even if you're not, get the Govt funded benefits working for you as soon as possible and for as long as possible. No-one knows what the politicians will do in the future so get in while the going is good.

2. Maximise the Basic Adult Benefits

Save $1043 pa to maximise the basic adult benefits

All eligible adults (18 – 64 years old inclusive) should try to contribute $1043 pa. You simply go directly to a Kiwisaver fund provider and agree what you will contribute and when. This could be an annual payment or $87/mth or $20/week. In recognition of this annual contribution you will receive a Govt contribution in pre-tax terms (at 33%) equal to **$2,272 in year 1 and $799 pa** thereafter. This Govt contribution is made up of:

- One-off **$1,000** kick start contribution
- On-going contribution of **$522 pa** (50% of $1,043)

3. Make it a Family Affair

Get paid $1000 for each of your children

Anyone under 18 (even newborns) can benefit from Kiwisaver. They still get the one-off $1000 kick start payment. They're just not eligible for the on-going Govt contribution until they are 18. So go directly to a fund provider and agree the minimum possible one–off contribution to secure this $1000 benefit.

4. Become an Employee of Your Company

Self-employed contribution strategy

It turns out that self-employed people can pay themselves as a PAYE employee and do Kiwisaver source deductions too. Their company pays a matching employer contribution which is tax free income at the 2% contribution rate. For most people, the optimal tax strategy is a PAYE salary of $52,000 pa @ 2% contribution rate. Certain other IRD rules apply to these PAYE salary payments so discuss this with your accountant or tax adviser.

5. Overall Strategy

Invest the minimum required to maximise the benefits

So for all savers the basic strategy is to maximise the benefits while investing as little as possible because the downside is that Kiwisaver funds are somewhat tied up until you turn age 65.

This still leaves the question as to which provider and investment funds should you invest in? This is something of a moving feast and the answer is specific to your personal situation and risk profile.