

The KiwiSaver Goldmine

If you are busy saving for a deposit for your first home, you could be sitting on a goldmine and not even realise it.

In July a special thing happened for First Home Buyers that are enrolled into KiwiSaver.

As part of the KiwiSaver system you are able to withdrawal all of your contributions and your employers contributions for the purpose of purchasing your first home.

The catch is you need to be enrolled and making contributions for a minimum of 3 years and you are only allowed to do this ***once and only for your first home***. For those that entered KiwiSaver at the start, the 3 year period was up on 1st July 2010.

(NB: There are other special circumstances where if you are in a First Home Buyers situation you can also, check with your provider for more details).

This is a unique opportunity that you are only able to get once. If you do not utilise this, then you miss out. It's very simple.

Depending on your level of contributions, you may actually have enough for the whole deposit. In *some circumstances* we can obtain financing with a deposit of as little as 5-10% of the purchase price.

On top of the withdrawal system, you may also be eligible for the First Home Buyers Subsidy. This is a total of \$1,000 per year of enrolment to a max of 5 years, per person. There are conditions to this:

- The property purchase price needs to be \$400,000, or under.
- Income for a couple or single needs to be \$100,000, or under.
- Income for 3 or more people \$140,000, or under.
- Must be your first home.
- 3 years KiwiSaver enrolment or more.
- Be planning to live there for 6 months or more.

(Sourced: kiwisaver.govt.nz)

Now is a great time for First Home Buyers to buy property, the interest rates are historically low and statistically we are at (or near) the bottom of the property cycle. There are numerous opportunities to buy well and/ or buy properties that have potential to add value with basic renovations.

If you act now and secure a property before the rates go up you will be saving money. For example if the interest rates increase by 1% and you purchase a \$400,000 property, you will have paid an extra \$4,000 per year, or \$12,000 over a 3 year fixed loan (NB: This based on interest only). With interest rates looking to be increased in the next 3 months you only have a small window of opportunity to act.



If you are not yet enrolled in KiwiSaver and have not yet purchased a home, I strongly recommend enrolling. If at the very least for just 3 year period to benefit from the First Home benefits and then reduce your contributions to 2% of your income.

Below is a table of the amount of money that you may have available to you for withdrawal based on your income and contribution levels. This is meant as a guideline only and you should speak to your KiwiSaver Provider for an accurate summary of your account, or check it online.

Income	1 Year			2 Year			3 Year		
	2%	4%	8%	2%	4%	8%	2%	4%	8%
\$40,000	\$1,600	\$2,400	\$4,000	\$3,200	\$4,800	\$8,000	\$4,800	\$7,200	\$12,000
\$45,000	\$1,800	\$2,700	\$4,500	\$3,600	\$5,400	\$9,000	\$5,400	\$8,100	\$13,500
\$50,000	\$2,000	\$3,000	\$5,000	\$4,000	\$6,000	\$10,000	\$6,000	\$9,000	\$15,000
\$55,000	\$2,200	\$3,300	\$5,500	\$4,400	\$6,600	\$11,000	\$6,600	\$9,900	\$16,500
\$60,000	\$2,400	\$3,600	\$6,000	\$4,800	\$7,200	\$12,000	\$7,200	\$10,800	\$18,000
\$65,000	\$2,600	\$3,900	\$6,500	\$5,200	\$7,800	\$13,000	\$7,800	\$11,700	\$19,500
\$70,000	\$2,800	\$4,200	\$7,000	\$5,600	\$8,400	\$14,000	\$8,400	\$12,600	\$21,000
\$75,000	\$3,000	\$4,500	\$7,500	\$6,000	\$9,000	\$15,000	\$9,000	\$13,500	\$22,500
\$80,000	\$3,200	\$4,800	\$8,000	\$6,400	\$9,600	\$16,000	\$9,600	\$14,400	\$24,000
\$85,000	\$3,400	\$5,100	\$8,500	\$6,800	\$10,200	\$17,000	\$10,200	\$15,300	\$25,500
\$90,000	\$3,600	\$5,400	\$9,000	\$7,200	\$10,800	\$18,000	\$10,800	\$16,200	\$27,000
\$95,000	\$3,800	\$5,700	\$9,500	\$7,600	\$11,400	\$19,000	\$11,400	\$17,100	\$28,500
\$100,000	\$4,000	\$6,000	\$10,000	\$8,000	\$12,000	\$20,000	\$12,000	\$18,000	\$30,000
\$105,000	\$4,200	\$6,300	\$10,500	\$8,400	\$12,600	\$21,000	\$12,600	\$18,900	\$31,500
\$110,000	\$4,400	\$6,600	\$11,000	\$8,800	\$13,200	\$22,000	\$13,200	\$19,800	\$33,000
\$115,000	\$4,600	\$6,900	\$11,500	\$9,200	\$13,800	\$23,000	\$13,800	\$20,700	\$34,500
\$120,000	\$4,800	\$7,200	\$12,000	\$9,600	\$14,400	\$24,000	\$14,400	\$21,600	\$36,000

Case Study

So what does all this mean in real terms? Let's look at a case study as an example.

James has been renting a 2 bedroom place on the Shore and spending \$400/wk for both bedrooms. He earns \$50,000 and has been putting 4% into his KiwiSaver contributions for the last 3 years.

This gives him a deposit from the KiwiSaver withdrawal system of approx \$9,000. He has also saved \$10,000 himself.

The house that he is buying is on the North Shore and is \$380,000 with 3 bedrooms.

This only gives James a 5% deposit. In some cases he may be able to get finance, but to make things more affordable he chooses to buy with one of his friends – Sam.

Sam earns \$45,000 and has been making 8% contributions to KiwiSaver. This gives him approx \$13,500. Sam's parent have given him \$5,000 to help him out.

Together their withdrawals and savings will give them approx \$37,500. They both decide not to go out to town this week and save the other \$500 between them so that they have a 10% deposit. It's a tough choice to make, but they decide it is worth it in the end.

They also apply for the First Home Subsidy and get another \$3,000 each, taking their deposit total to \$44,000.

The approximate calculations of how much it will cost once James and Sam move it will be:

Purchase Price	\$380,000
Deposit	\$44,000
Mortgage Amount	\$336,000
Interest Rate 6.69% (2 yr fixed ANZ 8 th Oct 2010)	6.69
Mortgage Term	30 Years
Weekly Payments (Principle and Interest)	\$499
Weekly Payments (Interest Only)	\$432
Other potential expenses to be allowed for	Insurance, Council Rates, Body Corporate Fees, Maintenance

NB: For accurate calculations specific to you, please speak to your mortgage broker.

So for an extra \$16 each per week (plus expenses) James and Sam can enjoy having their own piece of Kiwi-ana paradise. Not to mention any capital gains that come from the property market increasing over time (Historical Average 10% per year over 10 year periods) or improvements that they make on the property to increase the value.

NB: The characters in this case study are fictional and have been used as an example only. The amounts people will have in their KiwiSaver account will differ based on their tax bracket and income levels. For an accurate amount that you have contributed to KiwiSaver, please check with your KiwiSaver provider, or online at www.kiwisaver.govt.nz

The planets have aligned for First Home Buyers, with the low interest rates and a soft market there is a window of opportunity. The truth is no one knows how long the window will stay open for, the market can turn on a dime. The longer you leave it, the greater the chance interest rates and prices will rise. Leading economists are currently predicting rates will rise again at the start of 2011.

The question is, are you ready to take the step on to the property ladder? Give Jason a call to discuss how you can get into your first home.

Jason specialises in helping people buy their first home. He has created a system that not only prepares you for the property market, but makes it an easy process to be enjoyed. Part of his First Home Buyers program includes a report called 9 Things Every Buyer MUST Do.

Rest assured when the time is right you will be able to act with clarity and ease knowing that you have made the right choice.

There are no obligations or costs involved. It's all completely free and just part of Jason's service.

Contact Jason via email or phone to register for the First Home Buyers programme or if you are ready to buy, his VIP Buyers Service.



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