

# KiwiSaver: Regular payments needed for subsidy

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**Help in buying first home based on membership for at least three years and contributions at basic rate.**



Many first-home buyers are entitled to a subsidy through Housing New Zealand.

Can you please clarify the rules around "regular" contributions toward KiwiSaver and the impact this has on the deposit subsidy.

The Housing New Zealand website says "you can apply for the deposit subsidy if you have belonged and have regularly contributed to a KiwiSaver scheme ... for at least three years".

Is there a minimum amount or frequency to qualify as regular?

While most people looking to buy their first home are able to use some of their KiwiSaver funds, there are additional options to help those on modest incomes get a foot in the home ownership door.

The first home deposit subsidy, which Housing New Zealand administers, gives those who have been in KiwiSaver for at least three years and have regularly made contributions an additional boost of between \$3000 and \$5000 to put towards a first home.

You will get \$1000 for every year you have been in KiwiSaver up to the \$5000 maximum after at least five years of membership.

There are some rules around its availability and not every first home buyer will be eligible.

If you're buying a home by yourself you need to have an income of \$80,000 or less before tax.

If you're a couple or one of several people clubbing together to buy a house then your combined income must be \$120,000 or less.

You must also have saved at least a 10 per cent deposit on a house, although this can include money from your KiwiSaver, what you might potentially get through the deposit subsidy plus any personal savings.

The fine print also states that you must be over 18, haven't owned land or property before and haven't received the deposit subsidy in the past.

Plus, there is the question you raise about how much and how often you need to make contributions.

I spoke to Housing New Zealand to get some clarification for you and this is what they told me: "To qualify for the subsidy, a KiwiSaver member must contribute the minimum percentage of their total income for at least three years.

"Currently the minimum percentage is 3 per cent, but from July 2007 until March 2009 it was 4 per cent and from April 2009 to March 2013 it was reduced to 2 per cent.

"Different income types will have differing regular contributions definitions.

"Someone on salary or wages makes weekly, fortnightly or monthly KiwiSaver deductions from their pay.

"These contributions are forwarded to IRD on a monthly basis; therefore we would be looking for a minimum of three years' worth (36 months) of contributions registered by IRD to qualify for \$3000," Housing New Zealand says.

"Alternatively, a self-employed member can make annual lump sum payments at the relevant percentage of their income over a three-year period to qualify for \$3000.

"The key point to make is that the contributions must be based on the member's total income, not just their main income.

"Therefore, if a member has a 40-hour-a-week job and say a 10-hour part-time job, contributions must be made from all income streams, not just the main one.

"Those members who earn no income, or are on a benefit are able to make either regular voluntary contributions or an annual lump sum voluntary contribution to try to qualify for the subsidy.

"Beneficiaries must make these contributions at the minimum percentage of the benefit rate they are receiving.

"Those on no income must contribute the minimum percentage of the adult minimum wage, based on a 40-hour week," Housing New Zealand says.

If you do think you meet all the criteria to get the deposit subsidy the next step is to complete an application on the Housing New Zealand website.

It will take seven working days to assess your application at which point you will have a letter to take to your bank to show you have access to extra funding.

There will also be paperwork sent to your solicitor that needs to be signed no later than five days out from the sale going through.

If you are still house-hunting but want to have the comfort of knowing those funds are available, Housing New Zealand can pre-approve your application, which lasts for 180 days.

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