

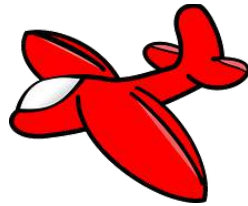
HOW TO  
**MAKE THE MOST** of  
**KiwiSaver**  
*(in 4 easy steps)*

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## “What you save up in your KiwiSaver account will have a massive impact on your quality of life in retirement.”

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When you retire, it could mean the difference between...

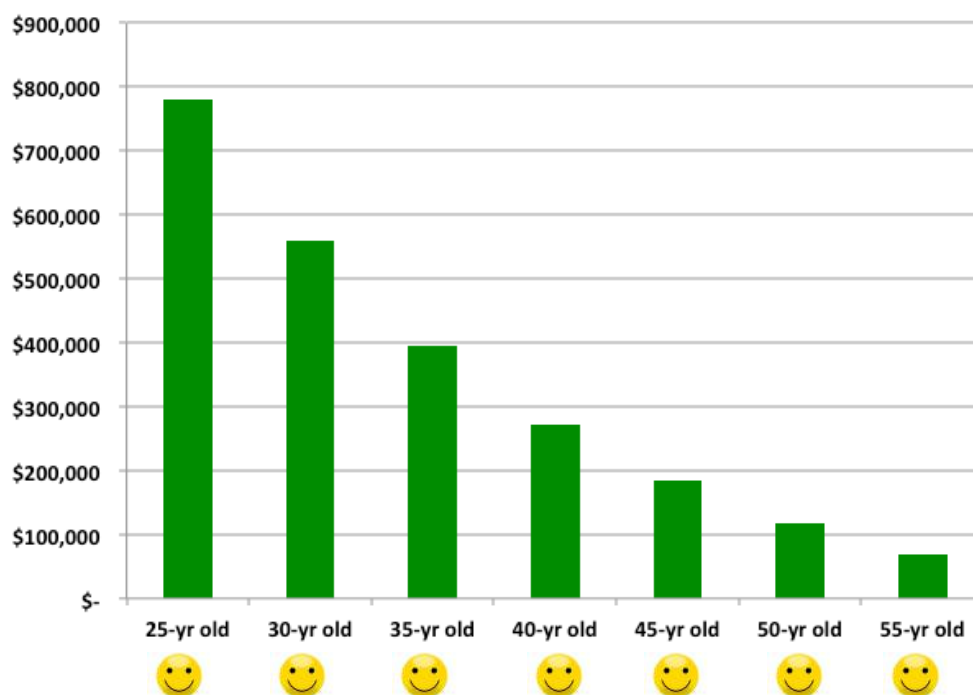


Choosing where to travel next, and...



Worrying about how to pay your bills

It's easy enough not to realize how quickly your savings will grow. Let's see how much you might save up by the time you retire, in today's dollars.



*Assumptions: Current balance of \$10,000, salary of \$60,000 with wage inflation of 2%, contribution rate of 3%, matched by the employer and a KiwiSaver fund earns an average return of 6% p.a.*

**So what ARE you doing to grow this as fast as possible?**

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## **“A little bit of your attention NOW can make a massive difference to how much you enjoy your retirement”**

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Consider this – a 3% p.a. higher return each year, can double the amount you will have in retirement! It's just math.

Using our example, here's how it would affect the 30-yr old.



**\$560,000**

(in a fund that  
earns 6% p.a.)



**\$1.1 million**

(in a fund that  
earns 9% p.a.)

The fact is,

- 🍷 There are close to 200 KiwiSaver funds you can choose from
- 🍷 Returns from these funds have ranged between 3% p.a. to around 20% p.a. in the last 5 years!

**There are a few simple things you can do NOW to build the future you wish to live...**

## STEP 1

“Determine when you would be withdrawing your savings”

- 🕒 **Do you need to make an early withdrawal?** You are allowed to withdraw your KiwiSaver balance when you are eligible for NZ Super (currently, at age 65). There are some exceptions.
- 🕒 **What really matters is WHEN you will be withdrawing** from your account. Contrary to popular belief, how old you are, is NOT important to what type of fund you choose.
- 🕒 **One of the biggest risks you will face is inflation.** So, the longer you have till you withdraw, the greater the need for you to be in a KiwiSaver fund that invests in growth assets, such as shares.
- 🕒 **The type of fund you choose needs to be appropriate for your time frame.** Consider cash or capital stable funds for really short timeframes. Move up to conservative, balanced or growth funds, the longer your timeframe. **Make a list of eligible funds.**
- 🕒 **Don't set and forget.** If any change to your circumstances affect your timeframe, review your fund and switch to more appropriate ones.
- 🕒 **It is VERY likely that a default fund may not be right for you.** If you didn't make a choice, most likely you are in any one of nine 'default' funds, which are highly conservative and have been earning around 4% p.a.

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“There are 550,000 Kiwis in default funds. Don't be part of the statistic. Get a life!”

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## STEP 2

**“Determine your comfort zone when dealing with money”**

- 🕒 **How you think about money, impacts on the risk you will be willing to take.** We all think differently about money. For some of us it's a means to an end, and for some others it's simply a store of value or a medium of exchange.
- 🕒 **How you think of risk may not be how your fund manager thinks about it.** 'Risk' means different things to different people. For some, it's the danger of losing money, and for some others it may be the unpredictability of gains or losses from time to time. What does it mean for you?
- 🕒 **Remember, the risk you are 'willing' to take** may have no relation to how much you 'should' be taking or how much you can 'afford' to take. *Seek advice.*
- 🕒 **From the short list of funds, pick those that have a risk profile you are comfortable with.** All funds invest into various types of assets, each with different levels of risk. Even funds in a similar category will have a different mix of such assets. *Simply investing in the highest performing fund today many not be right for you.*

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**“Be wary of choosing funds simply by their name. Look through to what ‘types’ of assets they are invested in.”**

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### STEP 3

“Identify what you are comfortable paying for”

🕒 **Determine whether you believe a team of investment professionals can add value or not.**

‘Active’ funds are managed by teams who make decisions about what to invest in, and when to. ‘Passive’ funds, are automated to mimic the direction of a benchmark, losing value when the benchmark falls, and vice versa. Typically, active funds charge more.

🕒 **The fees you pay will have a very significant impact on you. Choose wisely.**

There are different types of fees. Some are excessive and should be avoided. For e.g., ensure your fund manager pays themselves a performance fees only for outperforming a relevant benchmark. Or, avoid such funds that have additional fees.

🕒 **Ensure you understand whether your fund invests into other funds that charge a fee.**

In order to gain access to global assets, some KiwiSaver funds invest into funds managed by other fund managers. Having a large number of underlying funds may mean excessive layers of fees. **Avoid.**

🕒 **How big your fund is, can matter.** As an investor in a fund with very few other investors, you may end up paying a disproportionate amount in costs of running the fund. So, keep an eye on the size of your fund, and how it is growing.

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“Be wary of choosing the cheapest fund. You might end up getting exactly that. Focus on value for money”

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## STEP 4

**“Pick your team wisely – they can make a world of a difference”**

- 🕒 **Now that you have a really short list of funds, it's a matter of picking the right team.** This is if you have chosen to invest in an actively managed fund. Every decision your fund manager takes will have an impact on your fund.
- 🕒 **The legacy of your investment team is critical.** Choose teams that have ample experience in managing money through various market ups and downs. Newly formed teams will take a while to start working in synch and responding appropriately to market events.
- 🕒 **Watch out for changes within your investment team.** Remember, a departure in your fund manager's team is not as important as who the replacement is. At times, such changes can be disastrous for your fund. The person moving on may have been the key reason for the funds performance. That reason just walked out the door.
- 🕒 **Pick those providers who invest in the best of breed practices.** Aim to identify those teams that have robust technology, risk management systems, independent governance and a consistent track record of delivering returns.

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**“Now that you have figured out the best options for yourself, don't make the mistake of 'set-and-forget'. Review your fund often. Pay some attention.”**

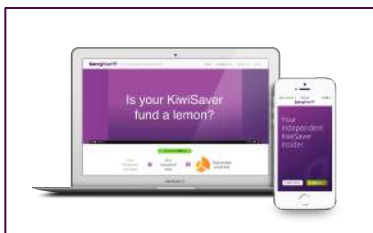
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# My KiwiSaver checklist

- ✓ How long is my timeframe?
- ✓ How much risk am I willing to take?
- ✓ What am I willing to pay?
- ✓ Which team am I picking?

## Note to self:

Keep track of my KiwiSaver fund regularly, at least every three months.



Interested in how SavvyKiwi can help fulfill your retirement dreams, in four easy steps?

Download our App from the Apple iTunes store or, visit [www.savvykiwi.co.nz](http://www.savvykiwi.co.nz)

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