

NZ Funds KiwiSaver Scheme – Annual Member Statement retirement balance calculation and assumptions

JUNE 2018

This document provides information on the calculation and assumptions used in the retirement balance estimates contained in the NZ Funds KiwiSaver Scheme Annual Member Statements for the year ended 31 March 2018.

Estimates are based on the following assumptions:

- ‘current savings rate’ estimate assumes the member continues to contribute at the same rate until age 65
- ‘doubling contributions’ estimate assumes the member doubles their current contributions until age 65
- ‘balance in 10 years time’ estimate assumes the member continues to contribute at the same rate until age 65, and from age 65 onwards no further contributions are made
- employer and government contribution rates remain unchanged until age 65, when they cease
- the value of member and employer contributions increase at an assumed inflation rate of 2% per annum
- all contributions are made at the beginning of each year
- no contribution holidays are taken
- no amounts are withdrawn
- the member’s investment option remains unchanged (for a LifeCycle member, their Strategy allocation is assumed to change each year based on their age in accordance with the LifeCycle Process)
- the member’s account earns investment returns each year (after fees and tax using the member’s current Prescribed Investor Rate (PIR)) depending on the Strategies invested in, as set out below:

	Annual return (after fees, before tax)	Annual return (after fees and tax)		
		10.5% PIR	17.5% PIR	28% PIR
Income Strategy	3.5%	3.1%	2.9%	2.5%
Inflation Strategy	6.0%	5.6%	5.4%	5.0%
Growth Strategy	7.0%	6.7%	6.4%	6.1%

Note: these figures are estimates only and do not reflect the actual or prospective performance of any Strategy. Actual returns each year for each Strategy will likely be different to these assumed returns. Returns may be negative in some periods.

- annual fund charges are deducted at the estimated rate disclosed in the current NZ Funds KiwiSaver Scheme Product Disclosure Statement dated 28 March 2018
- annual administration fee of \$36.00 is deducted
- in the case study examples:
 - annual income is stated before tax
 - Employer’s Superannuation Contribution Tax (ESCT) is deducted from the employer’s contribution using the following rates (25 year old case study: 17.5%; 35 year old case study: 30%; 45 year old case study: 33%; 55 year old case study: 33%). ESCT is deducted at that rate from all future employer contributions.
 - a PIR rate of 28% applies.
- for personalised balance estimates, net contributions to the Scheme for the year ended 31 March 2018 are used