

**Strictly Embargoed till 7am on Thursday, 3 January 2013**

## **10,000 FIRST HOME BUYERS REALISE THEIR DREAMS BY USING KIWISAVER FOR THEIR DEPOSITS**

KiwiSaver has helped 10,000 first home owners raise deposits on an estimated \$3 billion worth of property, it has injected capital into clever companies that create new jobs and it has established reliable sources of funding for the New Zealand businesses during economic downturns.

An Infometrics report prepared for the Financial Services Council (FSC) looks at the immediate impacts of New Zealanders saving for a comfortable retirement through KiwiSaver and predicts long-term benefits if small incremental saving increases were introduced.

An enlarged KiwiSaver scheme that increases contributions by 1 percent each year for 10 years from 2015 to 2024 would increase the investment pool available from KiwiSaver from around \$13 billion at present to more than \$700 billion of funds under management by 2066.

FSC chief executive Peter Neilson said KiwiSaver is helping first home buyers fulfil their home ownership dreams. In the longer term New Zealand needs more investment in the productive sectors that earn export income and create jobs.

“The first home ownership deposit assistance is available once-only and it will continue to give people a chance to get onto the first rung of the property ladder at a time in their lives when it is often difficult to save money,” Mr Neilson said.

“It has never been easy to save the deposit for your first home and it’s even harder today with first home buyers having to pay five times their income for houses, whereas their parents’ generation only had to pay three times their income,” Mr Neilson said.

“KiwiSavers are able to withdraw their savings to make a deposit for a first home. In addition, a subsidy is available which can be used after three years of saving to a maximum of \$5000 per person. A couple can both receive the subsidy, so they could receive a combined amount of \$10,000, plus the amount saved in their KiwiSaver accounts. There are caps on house prices and incomes for using this assistance,” he said.

See: [Rent, Buy or Own](#) › [Buying a home with KiwiSaver](#)

The Infometrics report says KiwiSaver in 2012 is already enabling investments in fast growing and unlisted companies that have the potential to raise exports and employment. If the KiwiSaver contributions were to increase to an average of 10 percent, KiwiSaver funds would enable even greater investments and potentially enable major international businesses to grow from a New Zealand base.

KiwiSaver providers, who are members of the FSC, expect an enlarged savings scheme would inject an extra \$52 billion into the New Zealand stock market by 2066, compared with what would happen if contribution rate and coverage remain the same.

Infometrics says KiwiSaver funds “enhance the resilience of the economy” against adverse shocks like the Global Financial Crisis, because savings will continue to flow into investment despite any short term fluctuations in share prices.

KiwiSaver funds also provide a larger pool of domestic savings that become available to New Zealand businesses at a lower cost.

“When you are dependent on other countries for much of your capital, you have to pay those investors a slight premium for what is called ‘home country bias.’ Investors have a preference to invest in their own markets and it is estimated they want an additional 30 to 40 basis points on the interest rates for money they lend offshore.

The report says the financial services industry employs almost 60,000 people and is able to pay above average wages because it adds more value per employee than most other industries. Employment in this sector and elsewhere would likely grow with greater KiwiSaver coverage and higher contribution rates.

“By increasing the capital available for each New Zealand worker it would be expected that a deeper domestic capital market brought about by expanded KiwiSaver funds would help increase our labour productivity and wage rates,” the report said.

### **About the Financial Services Council**

The Financial Services Council has 22 member companies and 17 associate members. Members are managing nearly \$80 billion in savings and provide financial services to more than 2 million New Zealand investors and policyholders.

If you have a life insurance policy or a KiwiSaver account then there is a more than 80 percent chance it is managed by a Financial Services Council member.

**For further information contact Peter Neilson, CEO of the Financial Services Council Tel 021 395 891**

[www.fsc.org.nz](http://www.fsc.org.nz)

**Released by Iain Morrison from Morrison McDougall Public Relations, 93 Boulcott Street Wellington 6011, Tel 04 473 7980 or 021 688 668 [www.morrillac.com](http://www.morrillac.com)**