



**BUDGET
2025**

THE GROWTH BUDGET

Lifting Economic Growth

**Hon Nicola Willis
Minister of Finance**

22 May 2025

KiwiSaver changes to encourage savings

“Budget 2025 improves KiwiSaver to encourage Kiwis to save more for their first home and retirement, while making the scheme more fiscally sustainable, Finance Minister Nicola Willis says.

“To lift savings and provide greater security for Kiwis, we’re raising the default rate of employee and matching employer KiwiSaver contributions from 3 to 4 per cent of salary and wages, phased in over three years. People will have the choice of remaining on the 3 per cent rate if they choose.

“To encourage first-time employees to adopt the savings habit, we’re extending the government contribution, and employer matching, to 16 and 17-year-olds in the workforce.

“We’re also making some changes to the government contribution to ensure the scheme’s costs to the taxpayer remain sustainable.

“The annual government contribution will be halved to 25 cents for each dollar a member contributes each year, up to a maximum of \$260.72. Members with an income of more than \$180,000 will no longer receive the government contribution.

“Putting these changes together, the KiwiSaver balances of employees contributing at the new 4 per cent default rate will grow faster than they do at the current 3 per cent default rate, providing a larger balance at age 65 and a larger deposit when people use KiwiSaver to buy their first home.

“The new 4 per cent default rate will be introduced in two steps. From 1 April 2026 it will go to 3.5 per cent and, from 1 April 2028 it will go to 4 per cent. Phasing in the increases will help workers and employers plan ahead.

“The Government recognises there will be times when some people do not feel able to contribute a higher proportion of their wages and salaries to KiwiSaver. Therefore, employees will be able to opt to contribute at a lower 3 per cent rate and have that lower rate matched by their employer. Their contributions will be reset to the default rate after 12 months, but they can opt down again if they wish. Employees may wish to opt down if, for example, they feel they are unable at that time to afford a higher contribution.

Changes to the government contribution will take effect from 1 July 2025. The changes will not affect the government contribution for the current year, which will be paid out in July and August this year.

“An increase in KiwiSaver balances will grow the pool of funds available for investment in New Zealand.

“The Reserve Bank estimates that about 40 per cent of KiwiSaver funds under management are invested in New Zealand assets. The Government is working to reduce barriers that may stand in the way of KiwiSaver funds investing in a wider range of New Zealand businesses, assets and infrastructure.

“Most New Zealanders have already embraced KiwiSaver as a simple way of accumulating savings to supplement their income in retirement. The Budget’s KiwiSaver package is designed to encourage them to save more so they can look forward to greater levels of financial security.”

As at 31 March 2024, KiwiSaver membership had reached 3,334,654 with a total of \$111.8 billion in funds under management and an average balance of \$33,514 per member.

ENDS

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