



**BUDGET
2025**

THE GROWTH BUDGET

Factsheet

KiwiSaver changes

How is KiwiSaver changing?

Budget 2025 makes changes to KiwiSaver to encourage Kiwis to save more for their first home and retirement and to ensure the scheme remains fiscally sustainable into the future.

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. KiwiSaver membership among those aged 18-64 is approximately 89 per cent. Over 42,000 members used their KiwiSaver to help with the purchase of their first home in the past year.

The changes to KiwiSaver will:

- Increase the default employer and employee KiwiSaver contribution rates from 3 per cent to 3.5 per cent from 1 April 2026, and then to 4 per cent from 1 April 2028.
- Allow members to choose to temporarily remain at the current 3 per cent and still be matched at that rate by their employer.
- Extend KiwiSaver eligibility to 16-17 year-olds, allowing them to access both employer and Government contributions.
- Reduce the government contribution rate from 50 cents for each dollar a member contributes to 25 cents from 1 July 2025. The maximum government contribution will reduce from \$521.43 to \$260.72 per year.
- Limit eligibility for the annual government contribution to those earning \$180,000 or less.

Putting these changes together, KiwiSaver balances of employees contributing at the new default rate will grow faster than they do at the current default rate, providing a larger balance at age 65 and a larger potential house deposit.

What will this mean for your KiwiSaver balance?

How these changes will impact you will depend on your individual circumstances, including what your current KiwiSaver balance is, how much you earn, how much you contribute, and what sort of KiwiSaver fund you are in.

Some example scenarios have also been modelled by Inland Revenue to illustrate what impact these changes might have in particular circumstances.

Scenario	First home deposit	Balance at 65
Working parent <i>(Starting income of \$60,000 at age 25, children at 28 and 31 with 1-year parental leave; withdraws savings at 30 to purchase home)</i>	\$15,805 (status quo) \$17,281 (with changes, an increase of 9 per cent)	\$397,250 (status quo) \$500,167 (with changes, an increase of 26 per cent)
High-income earner <i>(Starting income of \$100,000 at age 25; withdraws savings at 30 to purchase home)</i>	\$30,499 (status quo) \$35,208 (with changes an increase of 15 per cent)	\$644,963 (status quo) \$824,420 (with changes, an increase of 28 per cent)
Low-income/part time earner <i>(Starting income of \$30,000 at age 25; withdraws savings at 30 to purchase home)</i>	\$10,640 (status quo) \$11,592 (with changes, an increase of 9 per cent)	\$231,239 (status quo) \$280,383 (with changes, an increase of 21 per cent)

Notes: Examples presented assume an income growth rate of 3.5 per cent per year. They also assume an investment return of 3.5 per cent when people are under 50 years of age, and 2.5 per cent if aged 50 or over, in line with assumptions sourced from the Financial Markets Conduct Regulations 2014. Examples assume all individuals and their employers are contributing to KiwiSaver at 3 per cent under the status quo. All figures are nominal.

Why does the Sorted calculator produce different results from the examples above?

Sorted.org.nz – a website run by Te Ara Ahunga Ora Retirement Commission – has a calculator that forecasts how much KiwiSaver an individual could have for retirement or for a first home. This calculator will however produce different results from the examples above.

The Sorted calculator defaults to showing results to take inflation into account, in order to show how much purchasing power your future balance would have today. You can de-select the inflation toggle to see your results without the effect of inflation.

The examples above show the KiwiSaver balance someone would have in nominal dollars (i.e. how many dollars they will have in the future, with no account for the impact of inflation). There are good reasons why you may want to look at both types of results. Nominal results can be easier to understand for most people, while the results taking inflation into account can give a more accurate representation of your future purchasing power.

The examples above also assume an investment return of 3.5 per cent when people are under 50 years of age, and 2.5 per cent if aged 50 or over, in line with assumptions sourced from the Financial Markets Conduct Regulations 2014. The Sorted calculator makes different assumptions about the returns you will get, based on the fund type you are using.

What is happening to the default contribution rates?

KiwiSaver contribution rates for employers and employees are increasing in two stages.

From 1 April 2026, default employer and employee KiwiSaver contribution rates will rise from 3 per cent to 3.5 per cent. There will be a further increase from 3.5 per cent to 4 per cent on 1 April 2028.

The increases are being phased in over a three-year period to help workers and employers plan ahead and prepare for the changes.

What about members who can't afford to increase their KiwiSaver contributions?

The Government is aware that some members may not be immediately able to increase their KiwiSaver contributions, or may wish to save in other ways outside KiwiSaver.

We are therefore giving members the ability to opt-down to the current contribution rate of 3 per cent. They may wish to do that, for example, if they feel they are unable to afford an increased contribution now or at a future stage.

From 1 February 2026, KiwiSaver members will be able to apply to Inland Revenue to continue contributing at the rate of 3 per cent if they choose. If a member applies for a savings rate reduction their employer will also be required to contribute at 3 per cent. This 3 per cent contribution rate will apply for up to 12 months, after which a member will default back to the higher rate, or they can apply for another temporary savings reduction.

Once an application for a rate reduction has been approved, Inland Revenue will notify both the KiwiSaver member and the member's employer of the rate reduction.

What is happening to the value of the government contribution?

From 1 July 2025, the government contribution rate will be halved from 50 cents per dollar of contribution, up to a maximum of \$521.43 a year, to 25 cents per dollar of contribution, up to a new maximum of \$260.72. To receive the full government contribution a member will still need to contribute a minimum of \$1,042.86 each year.

Members will still be eligible to receive the maximum government contribution of \$521.43 based on contributions made from 1 July 2024 to 30 June 2025. This will generally be paid to eligible members' accounts in July-August 2025.

What is happening to eligibility for the government contribution?

From 1 July 2025, eligibility for the government contribution will be restricted to those earning \$180,000 per annum or less. This means that those earning over \$180,000 will no longer receive the government contribution.

A KiwiSaver member's eligibility for the government contribution will be assessed according to one of the last two tax years, using either the member's income for the previous tax year, or the tax year before that, depending on when their final tax return is finalised.

Many KiwiSaver members will have their eligibility for the government contribution which accrues over the 1 July 2025 to 30 June 2026 year determined according to the income they earned in the 1 April 2025 to 31 March 2026 tax year.

Members who have different filing arrangements will have their eligibility for the government contribution assessed according to the 1 April 2024 – 31 March 2025 tax year.

What if a KiwiSaver member has not filed their tax return by their required date?

The Commissioner must be satisfied that the member's taxable income for the tax year is \$180,000 or less. This means that when a member has an outstanding return for the relevant tax year, the Commissioner will be unable to assess their eligibility for the government contribution.

A member's eligibility will be assessed once the Commissioner has received sufficient information to establish the member's taxable income for the tax year.

What's happening for young people?

From 1 July 2025, eligibility for the government contribution will be extended to those aged 16-17. This means that young people aged 16-17 will now be able to receive a government contribution provided they contribute sufficient funds to their KiwiSaver account.

From 1 April 2026, KiwiSaver members aged 16 to 17 will also become eligible for mandatory employer KiwiSaver contributions.

To receive employer contributions 16- and 17-year-olds in paid work will need to join KiwiSaver if they have not already, and elect to make employee contributions. The age for auto-enrolment will remain at 18.

As at June 2023, approximately 84,600 young people aged 16-17 were in paid employment. Approximately 57,400 young people aged 16-17 were KiwiSaver members.

Will first home withdrawals be affected?

The proposals in Budget 2025 will not affect the current settings governing KiwiSaver first home withdrawals. However, the proposed increases in KiwiSaver contribution rates are expected to increase KiwiSaver balances over time, making larger amounts available for members to withdraw to finance the purchase of a first home.

Will members have to do anything?

16- to 17-year olds who wish to take advantage of the eligibility changes proposed as part of Budget 2025 will need to ensure they are enrolled in KiwiSaver and contributing to their KiwiSaver accounts.

For other members, the changes above will take effect automatically.

Where can I find more information?

- [Sorted.org.nz](https://sorted.org.nz): This is a free service run by Te Ara Ahunga Ora Retirement Commission, and provides tools and information intended to help New Zealanders plan, save and invest.
- [Ird.govt.nz](https://ird.govt.nz): Inland Revenue's website provides information about KiwiSaver for employers and KiwiSaver members.
- [Budget 2025 website](https://budget2025.govt.nz): The Government's Budget 2025 website provides information about the implications of Budget 2025 proposals for New Zealanders.