

Inside Koinonia

KiwiSaver™
Poua he Oranga

APRIL 2008

Welcome

This is the first of a biannual newsletter Koinonia Fund members will receive. Our goal is to keep you informed on important developments in KiwiSaver and how they might affect you, account maintenance issues, and the general investment environment.

It is a busy time for KiwiSaver schemes. Many KiwiSaver initiatives are starting to take effect. Mortgage diversion, employer contributions, member tax credits and the first contribution holidays are some of the things that we will be actioning.

INFO FOR MEMBERS

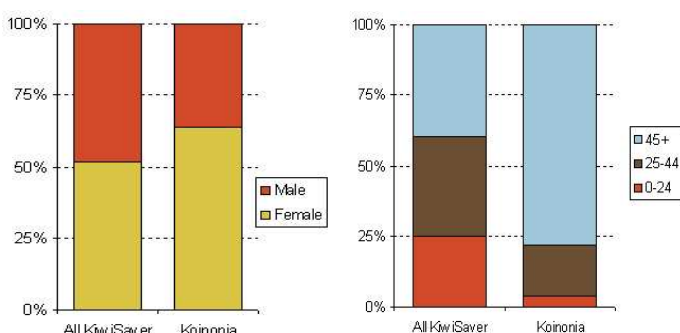
The Koinonia Fund year ends 31 March 2008. The accounts need to be audited before the final return for the year is declared and allocated to your account. You should receive your member statement and the annual report by late June.

The Koinonia Fund will only be providing printed statements once a year. Throughout the year you can view your account details online or request a transactions update from us. Starting in 2008 a quarterly investment report will be available online.

You were given a password on your acceptance letter which will allow you to access your account information online. If you misplace your password or wish to change it please give us a call. Online password changing will be available in the near future. Visit us at www.koinoniafund.org.nz

Snapshot

Just how does the membership of the Koinonia Fund compare with the overall KiwiSaver membership? Below shows a snapshot comparing the gender and age breakdowns at 31 March 2008.



Just WHERE DO YOU Live?

The KiwiSaver year runs from 1 July to 30 June (which is different from the scheme year). Sometime after 30 June, KiwiSaver schemes will start applying for government tax credits for their members. You do not need to do anything.

In order to qualify to receive the member tax credit of up to \$1042.86 a member must be a permanent resident of New Zealand and be aged 18 or older. Inland Revenue has stated that it is the scheme provider's responsibility to verify the member's eligibility.

In order for the Koinonia Fund to apply for your tax credit we must have proof of residence on file for you. What is an acceptable proof of residence? Any official correspondence with your name and residential address will do. For example a copy of a bank statement, utility bill, or voters registration form are all acceptable proof.

Your welcome letter from the Koinonia Fund would have asked for proof of residence if we did not receive it with your application. If you are unsure if we have proof of residence for you please contact us. You wouldn't want to miss out on guaranteed government money!

REMINDER - YOUR PIR TAX RATE
Each year you should review your PIR tax rate as it may change. Please see the PIR notice and election form with this newsletter, which is also available online.

Mortgage Diversion ~ HOW DIVERTING!

Mortgage diversion is a KiwiSaver incentive that is about to come into force.

Whether or not mortgage diversion is offered is up to each individual KiwiSaver provider. Earlier in the year we surveyed members by email. The survey results showed there was sufficient demand for this facility. The Trustees have decided to offer mortgage diversion to members who meet the rules as set out by the KiwiSaver Act & Regulations.

There will be charges associated with mortgage diversion. Each member choosing to participate in mortgage diversion will be charged an initial set up fee of \$25 and a yearly fee of \$24.

If you are eligible to use the facility you can arrange for up to 50% of your regular contributions to go towards paying off your home mortgage.

IT IS STRONGLY SUGGESTED YOU SEEK INDEPENDENT FINANCIAL ADVICE TO DETERMINE WHAT IS BEST FOR YOUR INDIVIDUAL SITUATION.

"As long as you leave \$1043 per year in KiwiSaver, you will still receive all the Kiwi-Saver incentives, including full employer contributions. And if you divert the rest into extra mortgage payments, you are doing probably the best thing you can do with that money."

*~ Mary Holm
KiwiSaver Columnist*

Some money in your KiwiSaver account cannot be used for mortgage diversion. Your employer's contributions, personal lump sum contributions, and any government money are not eligible to be used for mortgage diversion. Also, money you divert towards your mortgage does not count towards the member tax credit.

If you are interested in mortgage diversion please contact us to request the forms be sent to you once they are available.

The Rules ~

The following rules are set out in the KiwiSaver legislation regarding a person's eligibility for the mortgage diversion facility.

- You have been contributing to KiwiSaver for a minimum of one year.
- The mortgage must be held over your principal residence.
- The mortgage secures obligations in respect to the principal residence e.g. must be in the member's name, not a family trust.
- It is not a revolving credit mortgage.

INVESTMENT COMMENTARY

The investment markets have provided a very challenging environment for KiwiSaver schemes.

World scene

The credit crisis which began in the US mortgage and credit markets has eroded confidence in world financial markets generally. Most central banks have supported markets by cutting interest rates and by providing direct support to some beleaguered financial institutions in an attempt (so far successful) to stop problems spreading. Sentiment remains fragile, the 'r word' (recession) is being talked about, and overstretched consumers and housing remain a concern. Markets oscillate between bouts of optimism that the troubles are in the open and understood, and periods of pessimism when new concerns emerge.

New Zealand

New Zealand has not been immune to this turbulence. There is growing evidence New Zealand is already in a recession, but employment has yet to buckle. Households are under pressure from high levels of indebtedness, high interest rates, and price increases in essentials (food and energy/petrol), and weakening house prices. Exports (especially dairy) remain the bright spots, and election year largess and tax cuts may also provide some relief. If the NZ Dollar weakens this is likely to exacerbate interest rate and inflation pressures.

In summary

KiwiSaver investors need to understand that these financial market pressures will have an impact on their returns in the short term. However, for longer term investors, the assets they need to acquire to fund their retirement are now cheaper to buy than they were six months ago. Patience is the key.



Managed by:

The New Zealand Anglican
Church Pension Board

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