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KIWISAVER & FIRST HOME BUYERS

Kiwisaver first began on 2 July 2007. One of the benefits of belonging to the Kiwisaver scheme is that if you have never owned a house before, after 3 years of contributions you can use the money you have saved to purchase a home.

To be entitled to withdraw funds from the scheme you must:

- (a) have been with Kiwisaver for a minimum of 3 years; and
- (b) be buying your first property; and
- (c) by buying that property for you to live in.

The first step is to contact your provider and obtain a pre-approval of withdrawal. This generally entails completing a request form and declaration. Most Banks require you to have this pre-approval before they will agree to give you finance. It would be very risky to enter into an unconditional contract to purchase a property without this pre-approval.

Once you have an unconditional contract your lawyer will contact your provider to supply all the information need to process your claim. This can take some time and we recommend having a settlement date at least two weeks after you confirm your purchase contract as unconditional.

Majority of Kiwisaver providers will not release funds to lawyers until a few days before or the day of settlement. Unfortunately this rule has created some problems for purchasers. The funds are often referred to by Kiwisaver providers and Banks as the "Deposit". Agreements for Sale and Purchase also use the word "Deposit". The two do not always mean the same thing.

Kiwisaver providers use the term "Deposit" to mean the cash contribution you intend to make towards the purchase being any moneys not being lent to you by a Bank.

A "Deposit" on an Agreement for Sale and Purchase means part payment of the purchase price to be paid to the Real Estate Agent once a contract becomes unconditional.

As a general rule funds from the Kiwisaver Scheme cannot be used to pay the "Deposit" under the Agreement for Sale and Purchase to the Real Estate Agent.

Buying you first home (and even second and third) can be very daunting. If you have any concerns or would like to know more about using Kiwisaver to buy a home please give us a call.

Next Issue: Family Trusts—Trustees Duties