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## FIRST HOME BUYERS—KIWISAVER CONTRIBUTIONS, HOW DO THEY WORK?

New Zealanders are now benefiting from the Kiwisaver Scheme by accessing their Kiwisaver funds for their first home purchase.

The two features available through Kiwisaver to help people purchase a home are:

- (a) First-Home Withdrawal;
- (b) First-Home Deposit Subsidy.

Kiwisaver members are able to apply for both the First-Home Withdrawal and Deposit Subsidy.

### First-Home Withdrawal

This option was discussed in our May 2011 newsletter issue whereby members may be able to withdraw their Kiwisaver contributions towards buying their first home. Government contributions are not included in the First-Home Withdrawal.

### First-Home Deposit Subsidy

If you are eligible for a First-Home Deposit Subsidy, you are entitled to \$1,000.00 for every year you have been contributing to Kiwisaver with a maximum of \$5,000.00 (if you have been contributing for five or more years). This means a couple purchasing a property may be eligible for up to \$10,000.00.

The subsidy is administered by Housing New Zealand. In order to be eligible you must:

- (a) Have been contributing the minimum percentage of your income to Kiwisaver for at least three years;
- (b) Be buying your first home (or if you meet particular criteria you may be eligible if you have previously owned a property);
- (c) Live in the house for at least six months.

Other criteria apply such as income and house price caps. Furthermore the subsidy can only be used to buy particular types of property such as fee simple (the most common form of property ownership) or a

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cross-lease. It can also be used to buy land if certain criteria are met.

As with the First-Home Withdrawal, Kiwisaver members can apply for Deposit Subsidy pre-approval. If you are thinking about purchasing a property, we suggest taking steps to obtain pre-approval as soon as possible to know the amount (if any) you are eligible for and to avoid any delays in settlement.

Housing New Zealand advise it may take up to five working days to approve or pre-approve an application and they require four weeks from receiving the application to paying the subsidy.

Once an application is unconditionally approved, Housing New Zealand will prepare the necessary documentation and send them to your solicitor. You will then need to attend to the signing of the documents, together with the solicitor, which need to be returned to Housing New Zealand before settlement.

Funds are paid to the solicitor on the day of settlement. As such, the First-Home Withdrawal or Deposit Subsidy cannot be used towards the deposit for the purchase (which is recorded on the front page of an Agreement for Sale and Purchase) as this usually payable to the Real Estate Company once the Agreement becomes unconditional.

Should you have any further queries regarding Kiwisaver contributions towards a home purchase, please do not hesitate to contact the Collins & May Law Team.

**NEXT ISSUE: Helping your Parents in their Retirement - What are the Risks?**