# KIWISAVER GLOSSARY

AdviceFirst Limited

advice first

# KiwiSaver glossary

**Reading about KiwiSaver and getting lost in the jargon?
Here are the key terms explained.**

| TERM | EXPLANATION |
|---|---|
| **Account** | See KiwiSaver account. |
| **Accumulation** | The process of growing your investments over time, by contributing savings and earning returns.<br>Contrast this with decumulation, where you draw down over time what you have accumulated. |
| **Active management** | A strategy that uses tactics such as selecting and trading specific investments or actively hedging to get investors the best returns. This typically costs more than passive management. |
| **Actual asset allocation** | The mix of investments that a fund holds at a certain time. This 'actual' mix can vary from a fund's 'target' investment mix, although fund managers typically aim to track their targets closely. See target assetallocation. |
| **Administrator** | A company appointed by the manager to attend some or all of the everyday workings of a KiwiSaver scheme. Sometimes called an 'administration manager', the administrator may handle tasks such as updating balances, loading transactions and paying withdrawals. |
| **Alternative investments** | Kinds of investment other than the main asset classes of cash, bonds, property and shares. Examples of alternatives can be derivatives, currency, venture capital or private equity. |
| **Annual report** | A report sent or notified to you by your KiwiSaver scheme provider setting out information about the scheme. It includes the number of members and whether there have been any material changes to the scheme during the year. |
| **Asset** | Something you buy as an investment because it has the potential to become more valuable in time by being sold for a higher price, or because it produces a regular income, or both. An asset puts money in your pocket, as opposed to a liability, which drains it. |
| **Asset allocation** | The mix of investments chosen by a fund manager or investor. KiwiSaver funds typically have a certain mix of the main asset classes: cash, bonds, shares or property. A growth investor, for example, would have a mix that included more shares or property (these are called growth assets). |
| **Asset class** | A kind of investment, the main ones being cash, bonds, shares and property. |
| **Australian complying superannuation scheme** | The only type of Australian superannuation scheme from which money can be transferred into KiwiSaver. See superfundlookup.gov.au for a list. |
| **Attributed tax** | The tax a KiwiSaver member pays on their returns from a KiwiSaver scheme. This is deducted from those returns. |
| **Attributed tax credit** | A rebate or refund of attributed tax that a KiwiSaver member may be eligible to receive. This is added to their returns. |
| **Authorised Financial Adviser (AFA)** | Someone qualified to give you personalised advice on financial products like KiwiSaver. AFAs are regulated by the Financial Markets Authority. |
| **Balance** | The amount of money currently in your KiwiSaver account. |
| **Bankruptcy** | A formal legal declaration that a person cannot pay their debts, and the process that follows to resolve this problem, which is sometimes called insolvency. Money held in your KiwiSaver account is not subject to the usual rules that apply upon bankruptcy. |
| **Benchmark** | See index. |

| | |
|---|---|
| **Benchmark asset allocation** | See target assetallocation. |
| **Bond** | A kind of investment that is effectively a loan made to a government or a company which they (as borrower) promise to pay back in full on a specific date, paying regular interest at a fixed or agreed rate until then. For example, a city may sell bonds to raise money to build a bridge. |
| **Capital** | The money you put into an investment. |
| **Capital growth** | How much your investments have grown in value. For example, if you invest $100,000 (your capital) into shares and after a year they're worth $110,000, your capital growth is $10,000, or 10% more. |
| **Capital loss** | How much your investments have reduced in value. For example, if you invest $100,000 (your capital) into shares and after a year they're worth $90,000, your capital loss is $10,000, or 10% less. |
| **Cash** | One of the main kinds of investment that pays interest. Cash includes term deposits, floating rate notes and money market accounts. |
| **Commodity** | A kind of alternativeinvestment that is typically a raw material or agricultural product, such as copper or coffee. |
| **Complying superannuation fund** | A New Zealand retirement scheme that offers KiwiSaver-consistent savings incentives to members who agree to contribute on terms similar to the KiwiSaver schemerules. See also Australian complying superannuation scheme. |
| **Confirmation information** | An annual statement setting out your balance, contributionsand fees. This statement must be given to you by your KiwiSaver scheme provider. |
| **Contribution** | Money put into a KiwiSaver fund or funds to invest. This can be from you, your employer or the government. |
| **Contribution holiday** | See savings suspension. |
| **Crown** | The government. |
| **Crown contributions** | See government contribution. |
| **Currency** | The money used in a particular country, such as New Zealand or Australian dollars. |
| **Currency hedging** | See hedging. |
| **Custodian** | A company separate from your KiwiSaver scheme provider that keeps hold of the assets of the provider's KiwiSaver scheme. This function may be carried out by the supervisor. |
| **Decumulation** | Gradually drawing down on the pile of money built up in your KiwiSaver account. In KiwiSaver, you usually accumulate during your working years and decumulate in the years after stopping paid work. |
| **Default fund** | A fund for members who haven't chosen a KiwiSaverschemeto be a part of. Default funds offered by default KiwiSaver schemes are typically conservative and low cost. |
| **Default KiwiSaver scheme** | One of nine KiwiSaver schemes chosen by the government for those who have not yet made an active choice about which KiwiSaver scheme to be a part of. Each has a default fund within it, where those new members' money is placed until they make their own choice. |
| **Default allocated member** | A KiwiSaver member who has been placed by Inland Revenue into one of the nine default KiwiSaver schemes, either on joining a new employer and being auto-enrolled in KiwiSaver, or when opting into KiwiSaver without choosing a scheme. |
| **Defined contribution scheme** | A retirement scheme like a KiwiSaverscheme, where what you receive is based on how much was put in and returnsresulting from the investment of that money – after fees and taxes are deducted. |

| | |
|---|---|
| **Derivatives** | A type of alternative investment. These include financial contracts whose value depends on the future value of investments. |
| **Disclose Register** | The official government register of schemes and offers. See business.govt.nz/disclose. |
| **Dispute Resolution Scheme** | An independent company that can help you resolve a dispute with your financial services provider – at no cost to you. You can find your KiwiSaver scheme provider dispute resolution scheme in their product disclosure statement. |
| **Diversification** | A strategy designed to reduce your investment risk. Diversifying investments means spreading them across many assets in many industries here and abroad. Most managed funds are diversified for you. |
| **Employer chosen scheme** | The KiwiSaver scheme that your employer has selected as the one to which employees auto-enrolled in KiwiSaver (or opting in without choosing a scheme) will be allocated. If you are allocated to an employer chosen scheme, you can still switch to another KiwiSaver scheme. |
| **Employer contribution** | The after-tax amount your employer, if you are an employee, puts in to your KiwiSaver account. The employer pays a minimum of 3% (before tax, so the amount paid into your account is a bit less). |
| **Equities** | See shares. |
| **Exchange** | A marketplace where investments such as shares and bonds are traded. |
| **Fees** | The cost that each KiwiSaver member pays for their scheme membership, typically a fixed membership fee and a percentage of their account balance. |
| **First-home withdrawal** | A withdrawal that a KiwiSaver member can make from their KiwiSaver account balance to put towards a first home. For more details on how this works and whether you are eligible, see hnzc.co.nz. |
| **Financial Markets Authority (FMA)** | The New Zealand regulator responsible for promoting the development of fair, efficient and transparent financial markets. The FMA regulates all KiwiSaver schemes. See fma.govt.nz. |
| **Fixed interest** | A kind of investment, such as bonds or term deposits, that pays the investor interest payments over a set period of time (at rates that are fixed or agreed when the investment is made). |
| **Foreign exchange rate** | The rate at which one currency, such as the New Zealand dollar, converts into the currency of another country. |
| **Foreign superannuation transfer** | Moving money from an overseas pension or superannuation scheme into KiwiSaver. Not all countries will permit transfers into KiwiSaver. |
| **Fund** | A pool of money from many individuals that a fund manager invests. Each KiwiSaver scheme has a number of funds within it to choose from. There are different types, such as conservative, balanced or growth, each with a different mix of growth assets and income assets. |
| **Fund manager** | A person or organisation who looks after some or all of a KiwiSaver scheme's investments on behalf of the KiwiSaver scheme provider. Sometimes also called an investment manager. |
| **Fund update** | A quarterly (or, for a restricted KiwiSaver scheme, annual) update from your KiwiSaver scheme provider about how the funds have performed. The update is available on your provider's website and on the Disclose Register. |
| **Government contribution** | The amount the government puts in to your KiwiSaver account each year while you contribute and are aged between 18 and your KiwiSaver end payment date. Currently the government matches every dollar that you contribute with 50 cents, up to a maximum government contribution of $521 each year. To receive this maximum, you need to put in $1,042 over the course of a year (by mid-June). The government contribution is often called the 'member tax credit'. |
| **Growth assets** | Typically shares or property. These are called 'growth assets' because they have more potential to grow in value over the medium to long term than income assets (although they also involve more risk and will have greater ups and downs in value). |

| | |
|---|---|
| **Hedging** | A way that fund managers protect investors against the risk of prices suddenly dropping. When they are hedging against currency shifts, for example, they will lock in a future foreign exchange rate for an overseas currency to convert into New Zealand dollars, protecting against it falling lower. |
| **HomeStart grant** | A grant from the government to help you buy or build your first home. You can apply for a HomeStart grant (or pre-approval) if you have been contributing regularly to KiwiSaver for three years or more. For details of the eligibility criteria and the subsidy amounts, see hnzc.co.nz. The HomeStart grant is in addition to the first-home withdrawal. |
| **Income assets** | Typically cash or bonds. Sometimes called 'defensive assets', these kinds of investments are called 'income assets' because they receive a regular amount of interest. Income assets generally have fewer ups and downs in value than growth assets and involve less risk, but in general will have lower returns over the long term. |
| **Index fund** | A kind of fund that aims to hold investments that mirror a given index using passive management. |
| **Investment consultant** | A professional who reviews a fund manager's investment policies and objectives, investment performance and service delivery. They can also supply other services related to a KiwiSaver scheme's investments. |
| **Investment fund** | See fund. |
| **Investment manager** | See fund manager. |
| **Investment objective** | A description of the return that the manager of a fund is aiming to achieve over a stated period. The investment objective will also usually include how much risk or volatility is expected. |
| **Investment performance** | The results a fund gets – how much your investments return to you. These can be gains or losses, depending on whether the assets that a fund holds go up or down in value or produce enough income. |
| **Investment return** | See return. |
| **Investment range** | The restrictions (set out in a statement of investment policy and objectives) on the extent to which a fund's actual asset allocation can vary from its target asset allocation at any time in terms of growth assets and income assets and by asset class. |
| **Investment risk** | See risk. |
| **Investment timeframe** | How soon you expect to need your money back from your investments at any time. If you are investing for retirement, for example, this may be a way off; if you are planning on using KiwiSaver to help you buy or build a first home, this will be much sooner. |
| **KiwiSaver Act** | The KiwiSaver Act 2006, which sets out many of the rules applying to KiwiSaver schemes. |
| **KiwiSaver end payment date** | The day you are eligible to withdraw your KiwiSaver account balance. You need to have been in KiwiSaver for at least five years and have reached the eligible age for NZ Super (currently 65), whichever comes later. The same rules apply to any locked-in contributions which you may have made as a member of a complying superannuation fund. Locked-in membership of a complying superannuation fund before you joined a KiwiSaver scheme counts towards your five-year membership requirement. |
| **KiwiSaver account** | The personal account (or accounts) managed for you by your KiwiSaver scheme provider and holding the full balance that you have in KiwiSaver. |
| **KiwiSaver fund** | A fund within a KiwiSaver scheme. See fund. |
| **KiwiSaver scheme provider** | The organisation responsible for managing a KiwiSaver scheme. A provider has obligations under the KiwiSaver Act and the Financial Markets Conduct Act 2013 and must be licensed by the Financial Markets Authority (except for restricted KiwiSaver schemes). |

| | |
|---|---|
| **KiwiSaver scheme** | A primarily work-based scheme governed by the KiwiSaver Act that takes in contributions and invests them for your retirement. A KiwiSaver scheme is run by a KiwiSaver scheme provider and typically has a number of funds into which you can invest. |
| **KiwiSaver scheme rules** | The rules implied by law in the trust deed of each KiwiSaver scheme under the KiwiSaver Act, dealing mainly with when withdrawals are permitted. |
| **Life stages option** | An investment option where your allocation to growth assets automatically reduces, and your allocation to income assets automatically increases, as you get closer to your KiwiSaver end payment date. This option aims to maximise your savings growth at first and then increasingly protect you from sudden falls in value as retirement nears. For example, when you're in your 20s you will have significantly more investments in growth assets than when you reach your 50s. |
| **Listed investments** | Investments listed or quoted on an exchange. Listed investments are typically less risky than unlisted investments. |
| **Managed fund** | A pool of investors' money invested by one or more fund managers. A KiwiSaver scheme is a type of managed fund. |
| **Manager** | Your KiwiSaver scheme provider. |
| **MBIE** | The Ministry of Business, Innovation and Employment. MBIE develops and delivers policy, services, advice and regulation to support business growth and the prosperity and wellbeing of all New Zealanders. |
| **Member** | Someone who belongs to a KiwiSaver scheme and is entitled to its benefits. |
| **Member tax credit (MTC)** | See government contribution. |
| **Member's account** | Your KiwiSaver account. |
| **Member contribution** | The amount you put in to your KiwiSaver account. |
| **Passive management** | A strategy that aims to automatically purchase and sell investments to mirror the holdings of an index. This typically costs less than active management. |
| **Permitted withdrawal** | The ability to withdraw your money under certain conditions, as permitted by the KiwiSaver scheme rules (summarised in each KiwiSaver scheme's product disclosure statement). |
| **Portfolio investment entity** | A scheme or fund that pays tax on its returns based on each member's prescribed investor rate (PIR). Almost every KiwiSaver scheme is a portfolio investment entity (PIE). |
| **Prescribed investor rate** | The rate at which your returns are taxed when you are in a KiwiSaver scheme that is a portfolio investment entity. You must check that your PIR is correct. If you don't change it, you will be taxed at the highest rate (currently 28%). This money cannot be refunded to you, so it's important you check. For more information, see ird.govt.nz/toii/pir/. |
| **Product disclosure statement** | A key document that describes how a KiwiSaver scheme works, including information about the KiwiSaver scheme provider. The PDS also gives you an understanding of the funds, their risks and returns, and the fees. |
| **Property** | A kind of investment. Property generally refers to commercial property (not the family home) owned through property trusts or companies who own or develop property as their business. Property can be listed on an exchange or be unlisted. |
| **Provider** | See KiwiSaver scheme provider. |
| **Qualifying financial entity (QFE)** | A QFE is a financial organisation able to provide financial advice about its own products, and to take responsibility for the advice offered by its employees and contractors. |

| | |
|---|---|
| **Qualifying age** | The age you are eligible to withdraw your KiwiSaver account balance. See KiwiSaver end payment date. |
| **Qualifying financial entity adviser (QFE adviser)** | An adviser linked to a qualifying financial entity such as a KiwiSaver scheme provider. QFE advisers can give personal advice only about products that the QFE sells, such as its KiwiSaver scheme. They cannot provide you with advice about products offered by other organisations. |
| **Quarterly disclosure statement** | See fund update. |
| **Return** | The money you make by investing in KiwiSaver; that is, the money that comes back to you. Returns typically come from capital growth, or from the income an asset spins off, such as rent from property, dividends from shares, or interest from bonds and cash. Returns, however, can be positive or negative. |
| **Restricted KiwiSaver Scheme** | A KiwiSaver scheme that is not open to the general public, and has restrictions on who can become a member. |
| **Risk** | The chance you might not get some or all of your investment back or that your returns will be lower than those you are seeking. Many kinds of risks come with investing in KiwiSaver, and the particular risks you face depend on the fund.<br><br>KiwiSaver funds are typically grouped by risk levels, with the amount of growth assets each holds determining the level. Growth assets tend to bring more risk, so funds with more growth assets have a higher risk level.<br><br>Risks and returns go hand in hand in investing. Taking on more risk should mean the potential for higher returns over time (after all, that return should be what you're paid for taking on more risk), but also potentially larger losses if the market suddenly changes.<br><br>Less risk typically leads to lower returns but less volatility. More risk leads to potentially higher returns but more volatility. Chasing higher returns always brings higher levels of risk with it. |
| **Risk indicator** | A graphic to help you see at a glance how likely the value of a fund's investments is to go up and down. Fund updates and product disclosure statements include risk indicators. |
| **Risk profile** | The amount of risk you are prepared to take on when you invest. Knowing your profile helps you pick the fund that suits you best. |
| **Salary or wages** | Money you earn as an employee. Your contribution to KiwiSaver is a percentage of those earnings. Salary and wages include any money you receive as a bonus, commission, tips or overtime. They can also include ACC and parental leave payments, but not accommodation benefits or redundancy payments. |
| **Savings suspension** | Temporarily stopping your contributions to KiwiSaver (sometimes called a 'holiday'). You can suspend for as little as three months or as long as five years, provided you have been contributing for at least 12 months – or less if you are experiencing hardship. Suspending your savings, however, means that employer contributions and government contributions to your KiwiSaver account will also stop and you will miss out on that money going into your account. |
| **Serious illness withdrawal** | Early withdrawal of money from KiwiSaver in the case of an injury, illness or disability that makes you totally and permanently unable to work in a job for which you are suited, or that poses<br>a serious and imminent risk of death. To make a serious illness withdrawal, you apply to your KiwiSaver scheme provider and must include medical evidence. |
| **Shares** | A kind of investment that gives part ownership in a company and can bring returns from profits shared by the company (dividends) or from selling the shares for more than you paid. Shares are growth assets and are also known as equities or stock. |
| **Significant financial hardship withdrawal** | Early withdrawal of money from KiwiSaver if you experience significant financial difficulty. The KiwiSaver scheme rules define what 'significant financial hardship' means. To make this kind of withdrawal, you apply to your KiwiSaver scheme provider and the supervisor makes the decision. |
| **Statement of investment policy and objectives (SIPO)** | The document that details a KiwiSaver scheme provider's investment strategy and goals for the scheme and each fund in the scheme and how scheme investments are required to be managed. It is also known as a SIPO. Every scheme must have one, and you can get it from your KiwiSaver scheme provider's website and the Disclose Register. |

| | |
|---|---|
| **Stocks** | See shares. |
| **Strategic asset allocation** | See target asset allocation. |
| **Superannuation scheme** | A type of retirement savings scheme. Typically, money is invested into a managed fund, aimed at providing a lump sum or income for the years after you stop working. |
| **Supervisor** | A licensed entity independent of your KiwiSaver scheme provider that supervises the provider's management of the scheme. KiwiSaver schemes are trusts, and (except for restricted KiwiSaver schemes) the terms of the trust deed state that the supervisor (or another custodian) must hold all contributions and investments in trust for the investors. |
| **Target asset allocation** | The target mix of asset classes that a fund manager aims to hold in a given fund – e.g. the target percentages of shares and bonds. This can often be different from a fund's actual asset allocation, which is the mix of asset classes that a fund has at any moment. |
| **Tax** | See attributed tax. |
| **Tax credit** | See government contribution. |
| **Treasury bill** | A kind of bond issued by a government, usually short-term borrowing (such as 90 days). |
| **Trust deed** | The governing document that sets out how your provider's KiwiSaver scheme operates and what the provider can and can't do with your money. It covers the rights and responsibilities of members, the supervisor and the provider. |
| **Trustee** | See supervisor. |
| **Unit** | The measure of your ownership in the investments that your fund holds. You buy units by contributing to a given fund; you sell units when you withdraw money from that fund. The administrator of each KiwiSaver scheme keeps track of individual member's units. |
| **Unit price** | The price of buying or selling a unit in a fund. The unit price moves up and down, reflecting the value of the investments in a fund. Your balance is calculated by multiplying the number of units you have by the unit price on the day. |
| **Unitisation** | The investments that a fund holds are divided into units. This allows the KiwiSaver scheme provider to easily track and price the amount of these investments you own. |
| **Unlisted investments** | Investments that are not listed or quoted on an exchange like the stock exchange. This tends to make them harder to sell than listed investments. |
| **Volatility** | Fluctuations in an investment's value overtime. |

AdviceFirst Limited | A full Disclosure Statement is available on request and free of charge.

Let's talk
0800 438 238
letstalk@advicefirst.co.nz