



## Significant Financial Hardship Withdrawal Information Sheet

### Adviser use only

The purpose of this information sheet is to assist advisers in understanding the process followed when a KiwiSaver member makes an application for a significant financial hardship withdrawal, and to give an indication of the information required to be provided to support the application.

## FAQs

### 1. What is 'Significant Financial Hardship'?

'Significant Financial Hardship' is defined in clause 11 of the KiwiSaver Scheme Rules to include significant financial difficulties that arise because of:

- A member's inability to meet:
  - Minimum living expenses, or
  - Minimum mortgage repayments on the main family residence, resulting in the mortgagee seeking to enforce the mortgage on the residence, or
- The cost of:
  - Modifying residences to meet special needs arising from a member's, or their dependents', disability, or
  - Medical treatment for a member's, or their dependants', illnesses or injuries, or
  - Palliative care for the member or their dependents, or
  - Funerals for the member's dependents.

Whether the member meets the definition of significant financial hardship is assessed at the time of the application.

Note: Many clients may use their credit cards or consumer finance in an attempt to offset financial hardship before they would consider making a withdrawal from their KiwiSaver account. This is not recommended (see item 3). Clients should be made aware that a hardship withdrawal from their KiwiSaver account can be considered prior to the use of credit or loan facilities.

### 2. What are 'minimum living expenses' ?

Minimum living expenses include the actual and reasonable costs of:

- Basic food and grocery items;
- Accommodation (including mortgage payments, rent, rates, insurance, repairs and maintenance of the principal family home);
- Basic clothing;
- Utility services (power, gas, phone);
- Transportation (including vehicle registration, insurance, repairs and maintenance);
- Medical and dental costs essential for the maintenance of good health;
- School fees (excluding private schools) and tertiary education costs.

If the member has a weekly deficit, the Trustee will consider releasing three months (13 weeks) of their deficit and arrears of overdue accounts (depending on what they are).

If the significant financial hardship is continuing, the member can reapply for further significant financial hardship withdrawals every 13 weeks. While not defining, any prior significant financial hardship withdrawal applications may be a relevant factor in considering a subsequent application.

### **3. What is not considered to be Significant Financial Hardship?**

Significant financial hardship withdrawal applications will not usually be granted where their purpose is to:

- Pay down debt generally (excluding overdue amounts).
- Pay outstanding credit card balances (excluding overdue amounts).
- Clear Baycorp debts (unless Judgement has been obtained).
- Pay Court fines.
- Clear WINZ debt.
- Pay private school fees.
- Clear arrears relating to investment properties.
- Clear debt collection bills (unless Judgement has been obtained).

### **4. Who makes the decision?**

At the outset it is important to understand that (by law) it is the Trustee (NZGT) that makes the decision on whether to grant a significant financial hardship withdrawal application. We will always review the application before it goes to the Trustee and will make a recommendation as to whether the application should be granted (or not) but ultimately it is their decision.

It is also important to be aware that so long as the Trustee has followed proper process in making their decision, there is effectively no ability to 'appeal' their decision other than by an application to the High Court.

Having said this, on a case by case basis where NZ Funds believes that the member's circumstances warrant further consideration by the Trustee we will make additional representations to NZGT on behalf of the member.

## **Privacy**

It goes without saying that significant financial hardship applications can be extremely sensitive. While in most instances the member has sought the assistance of their financial adviser in making their application, in some instances the applicant has made the application directly without the assistance of their financial adviser. Where this occurs, we are not able to inform the financial adviser of the member's application without the member's express consent.

## What information is required to support the application

Each application for a significant financial hardship withdrawal is unique, so not all of the information listed below will be relevant for all applications; or additional information not listed may be required.

The information provided in support of a significant financial hardship withdrawal should be less than three weeks (15 business days) old, otherwise it is likely to be treated as outdated by the Trustee.

The main types of information that will be required are:

### General

- That all sections of the application have been completed.
- The statutory declaration in section E has been signed and dated by a person authorised to take statutory declarations, e.g., JP or solicitor, etc.
- Last three months bank statements from the applicant and partner, including business statements if the applicant/partner is self-employed.

### Evidence of income

- If employed last three payslips of the applicant and partner.
- If unemployed, evidence of benefit entitlement with WINZ of applicant (and partner, if applicable).
- If redundant, redundancy letter and final payslip of applicant (and partner, if applicable).
- If self-employed, letter from accountant confirming drawings over the last three months.
- If medically unfit to work, letter from a doctor to confirm time away from, or medically unfit to, work for applicant (and partner, if applicable).

### Evidence that alternative sources of funds have been exhausted

- Bank statements.
- Details of savings accounts.
- Details of any other investments.
- Details of any other potential sources of funds.

### Evidence of minimum living expenses

- Accommodation: evidence of mortgage enforcement or other arrears (rental/board), the tenancy or living arrangement and most recent mortgage statements.
- Basic clothing needs: a general allowance is included in the budget by the Trustee, but please add school uniforms, sports uniforms or work clothing.
- Basic costs of utility services: invoices including arrears notifications.
- Transportation cost: invoices/bank statements.
- Medical costs: invoices from GP, medical specialist, dentists and opticians and any arrears.

### **Support for any overdue balances and other expenses (finance and credit arrangements)**

- Overdue bills (less than 30 days old), statements should include the outstanding balance minimum payments and overdue amount, for example:
  - Utility bills (this includes Sky).
  - Store cards – Gem, Qcard, Farmers etc.
  - Credit cards.
  - Personal loans.
  - Car loans.
  - Car repair invoices.
  - Finance company loans.
  - Rates, copies of recent rates notices.
  - Childcare and educational costs.
  - Other overdue bills.

### **Circumstances that require great consideration:**

- Modification of residence.
- Cost of palliative care for applicant or the applicant's dependant, letter from a doctor to certify the illness and level of care required.
- Funeral costs.

## **The process**

The process for considering an application for a significant financial hardship withdrawal is:

- The member completes the application and forwards it to Link.
- Link reviews the application for completeness and if not complete, will request further information.
- Once complete Link forwards the application and supporting information to NZ Funds.
- NZ Funds undertakes a substantive review of the application and may request further information if any gaps are identified.
- Once the review is complete NZ Funds forwards to the Trustee along with a recommendation as to whether or not the application should be granted.
- The Trustee reviews the application and makes their decision (during this process they may revert to NZ Funds seeking clarification of the information provided or additional information).
- The Trustee advises NZ Funds of its decision – either accepting the application and advising the amount that will be released to the member or rejecting the application.
- In appropriate circumstances NZ Funds may go back to the Trustee and ask that they reconsider their decision.
- NZ Funds advises Link of Trustee decision.
- Link will advise the member using a template letter.

Depending on the completeness of the information provided, this process is usually completed within five business days of the application being received by Link. After approval has been received from the Trustee, payment will be processed by Link within 10 business days.