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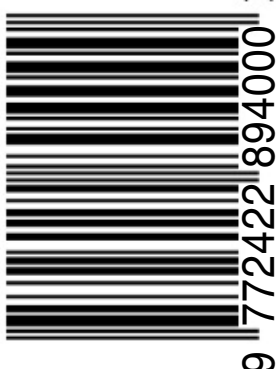
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Contents

IN THIS ISSUE

REGULARS

12. JUNO Exchange

We review the winter 'Beginner's Guide to Investing' reader event.

14. Subscribe to JUNO

Subscribe for a year to JUNO investing magazine and you'll go in the draw to win an ecostore gift pack.

16. What We Like

A selection of the hottest products from around the country.

18. Essentials

These luxury products will turn heads as we move into autumn.

93. JUNO Junior

Get your kids learning about money with our fun, interactive page to help improve financial literacy.

94. Travel: Where Money Is No Object

Brenda Ward discovers some of the most exclusive holiday experiences in the world.

96. Book Reviews

JUNO reviews *The Good, the Bad and the Downright Ugly Side of New Zealand Business* by Ralph J. Bathurst, and *7 Secrets to Investing Like Warren Buffett* by Mary Buffett and Sean Seah.

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14



94



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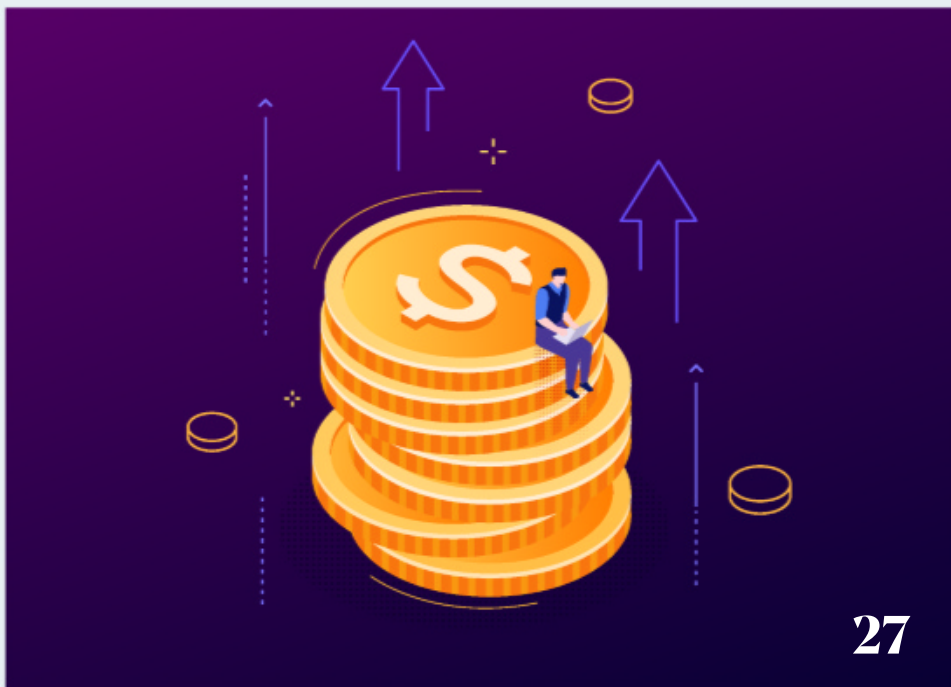


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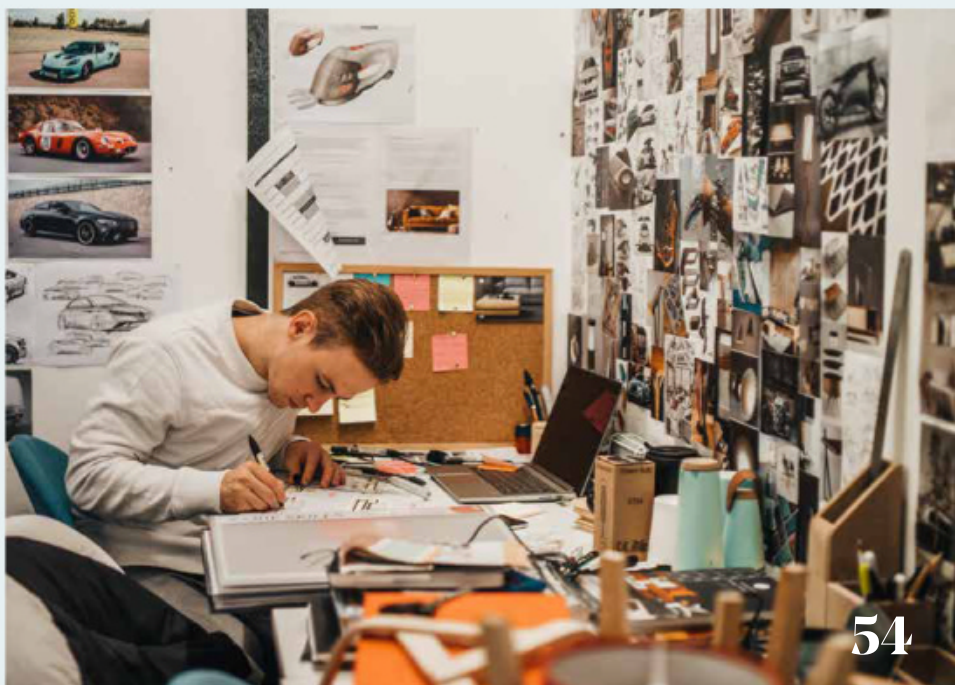
WWW.CRAGGYRANGE.COM



22



27



54



61

J

YOUR INVESTING

Personal Finance

22. How to Get Rich

A researcher has found there are four main paths to wealth – and one of them is almost effortless.

27. Your Money and Higher Returns

Financial author Mary Holm lists some ways to get better returns – but there's some risk, too.

30. Get Rich, Stay Rich

Financial adviser Martin Hawes explains how to help reduce your risk and keep your money safer.

37. Time Makes You Rich

What really makes you rich? It's not always money, writes Brenda Ward.

41. Build Wealth Through KiwiSaver

Important things to check with your KiwiSaver account, to get the most from your money.

44. Did Baby Boomers Have it Easier?

When it comes to property, are millennials really as hard done by as many claim they are?

48. The Poverty Trap

How people from a life of poverty have turned their lives around for the better.

52. How to Choose Good Investments

Researching the right companies can help you make better decisions about shares.

54. Side Hustle Success

Ready to launch a side business? Experts give their best tips for boosting your income.

61. How to Save for Retirement

In the second part of a series, learn how to save more to help you live well in retirement.

67. Change the World With KiwiSaver

It's possible to grow your KiwiSaver balance and do good too, writes Claire Connell.

68. Jake Miller's Unfiltered

Great leadership tips from Sistema founder and businessman Brendan Lindsay.

70. Overnight Millionaire

You only get one chance to sell your business. Make it count, says Karl Dwight.

72. Business Vision

We showcase three innovative Kiwi companies making their mark on the world.



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J

YOUR INVESTING

Property

74. Make Money in Property

Build your wealth by learning how to invest in property in New Zealand.

78. Who's to Blame?

Property commentator Ashley Church analyses the Auckland housing crisis.

82. Make Your Rental Stand Out

Present your property well and you could get great tenants and good returns, writes Crockers.

86. Property Academy

Andrew Nicol, of Opes Partners, explains how property can help you reach your goals faster.

90. The CoreLogic Property Report

Latest data on the country's most expensive suburbs to live in.

92. Looking for an Uplift

It's likely that house prices will keep growing, predicts Bindi Norwell, of REINZ.

YOUR INVESTING

Market Insights

101. Why Audits Matter

The Financial Markets Authority's Sarah Vrede explains how audits work.

102. Going Up, Going Down

Economist Cameron Bagrie looks at how New Zealand is faring.

104. Shares on the Move

Follow the journey of four companies going up or down on the Australian exchange.

106. Snapshot

A glance at events affecting the global economy.

108. Cloud Kings

Chris Smith explains why cloud investing is taking off, and how you could get a share of the action.

112. Millennial Money

Businesses are changing the way they operate to cater for new spending trends.

115. Will Trump be Fired?

The US presidential election is likely to have an impact on the US share market.



Will Money Make You Happy?

Princeton University in the US has put a dollar value on happiness.

A study showed that NZ\$116,000 is the amount you need to earn to be happy. Your happiness goes up the closer you get.

But, guess what? Happiness stops going up right there. After that, there's no point striving for more. No matter how much more you earn, you might feel life is going well, but you won't feel any happier.

In fact, studies have shown that people are happiest when they're spending money on just a few things: getting rid of money worries, experiences, giving to charity and loved ones, spending on things that give you back time, and owning beautiful things.

Did you know that rich people's faces even look different? A new study from the University of Toronto says differences in wealth show up in people's faces.

This suggests people with money have happier, less anxious lives than those who scrape by – and it shows in their faces.

If you want to be happy, you're already in the right place, because the United Nations rates New Zealand as the 8th happiest country in the world, out of 156 countries.

But the last word has to go to Australian billionaire Andrew 'Twiggy' Forrest, who told his kids wealth could make you miserable, and they wouldn't inherit his AU \$7.5 billion fortune. He's giving it away.

He told Forbes.com: "It's no guarantee of happiness or joy or satisfaction in life. But the accumulation of your own wealth, of your own achievements, that's different."

If you still want to be rich, Tom Corley, who I spoke to for the story 'How To Get Rich' has a bestseller called *Rich Habits*, that can tell you how to become wealthy.

Brenda Ward
JUNO Editor

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The Beginner's Guide to Investing

If you'd ever wondered why you should invest and how to get started, by the end of the Summer JUNO Exchange, held in Auckland, you'd have had a really good idea.

It covered where to start when you're a beginner, building a new house as an investment, and what's going on with the share market.

Guests also heard from a young TV presenter who already owns three rental properties.

Buying a house may not be easy in Auckland today, but it wasn't any easier when she was a young person, either, financial adviser and author Lisa Dudson told the event.

Dudson's a leading businessperson and educator with 35 years of experience in money, business and property. She's also the author of *The New Zealand Money Guide* and *The New Zealand Property Guide*.

Dudson said she saved hard to pay for her first property. She also had to contend with a bank manager who was sceptical about her being a young woman buying a house alone. Interest rates were higher, and deposits were also higher than they are now.

She borrowed second-hand furniture from friends and family to furnish the property, she said. She sold the house in Palmerston North recently and worked out it gave her a five per cent annual return.

Her own financial journey started when her father gave her a book about the share market. One of the keys is lifelong learning, she says.

Kevin Morgan, a senior dealer in foreign exchange and derivatives at New Zealand-owned full-service brokerage firm OMF, said it had been a strong year for the stock market and many commodities. Falling interest rates were boosting sales of shares.

One of the standout commodities was palladium (a chemical element), and it's likely to continue strongly.

Morgan said the bull run in shares has been going for nearly 10 years and there's no sign of it slowing down.

Landmark Homes general manager Steve Bunyan said Landmark has every confidence that the strong market for quality new homes will continue.

There was a new trend emerging in show homes, he said, where companies would build both a high-end and a more modest showhome to showcase their work. This created opportunities for people to invest in showhomes and lease them back to building companies.

The final speaker started in his investment journey early.

Walter Neilands is a former Sticky TV host turned property investor, who grew up in a household that struggled.

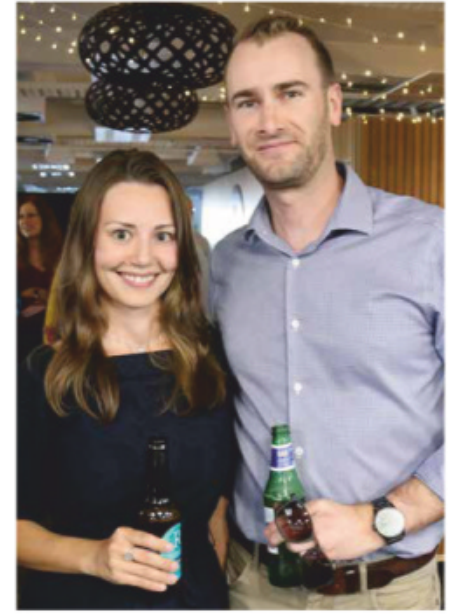
Seeing how hard life was on a low income, he decided to create 'a financial fortress'. He now owns three investment properties and is looking for a fourth.

Other millennials can get into property too, he said.

He suggests they flat in a poorer area, so they pay little rent, and throw a big proportion of their pay into savings. Talk to three or four mortgage brokers and they might find that there's a way to buy a house.

Thanks to our wine sponsor Craggy Range and beer sponsor Renaissance Brewing for their support for this event.

To find out about the next JUNO Exchange event, enter your email address at www.junoinvesting.co.nz/newsletter





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By creating hardworking products without harmful or unnecessary chemicals, its ethos has always been to put people's health first and give them the choice to live clean.

When formulating any product, ecostore uses the precautionary principle. If there's any doubt about an ingredient's safety, the company will seek a safer alternative, and is one of the only companies to list what's in, (and not in) every product.

With a goal to be the world's most trusted, sustainable home and body care brand, the company develops, makes and packs its cleaning products at its carboNZero certified factory in Auckland.

Now you can choose a fresh, clean, healthy home.





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What We Like

A showcase of the hottest products that are the talk of the town.



A Lippy Fit for a Princess

Kiwi queen of natural lip colours Karen Murrell has released a ‘Princesses of the Golden Petals’ collection that celebrates the contemporary princess in all of us.

From when Murrell was a young girl, beauty, cosmetics and skincare have been her passion and her enduring ambition. She was inspired by her Nana Gwen, who was like her second mother. She fondly recalls creative afternoons

spent exploring Nana Gwen’s elaborate make-up collection.

Murrell’s new collection includes three favourites, plus two luxurious metallic shades. The lipsticks are rich and creamy, with a velvety matte finish.

They contain natural ingredients to create nourishing and long-lasting lip colours – avocado and evening primrose oils, candelilla, carnauba wax, cinnamon, and sweet orange.

www.karenmurrell.com

Save the World, One Shave at a Time

If your goal is to live more sustainably this year, this copper safety razor will be a great addition to your bathroom cabinet.

CaliWoods’ latest addition is stylish, entirely plastic-free, and very durable.

It’s designed to last a lifetime and, after a bit of practice using gentle pressure, you’ll be impressed with the close shave the razor gives. It’s unisex, and there’s also a retro-styled stainless-steel version.

The company will also take back your old blades to repurpose them. This is great because you can’t recycle them in curb-side collections, because they’re a hazard and they’re too small.

Once you’ve collected 40 used blades, send them back to CaliWoods. They are looking at ways to repurpose the blades, otherwise they will be recycled on your behalf.

CaliWoods is a certified social enterprise set up by Kiwi nature-lover Shay Lawrence. It also sells other reusable products like straws, bags, pegs, cutlery, and drink bottles.

www.caliwoods.co.nz



Generations of Style

Just as the world was emerging from World War 1, a young woman named Ruby put the finishing touches on her first Parisian men’s tie.

The pattern had been sketched on a napkin in the US, and carried back to New Zealand by Ruby’s father Callil.

It was 1919, and that first beautiful, handmade tie became the blueprint for a business that has survived, and thrived, through four generations. Each exquisite tie is lovingly crafted at the Parisian workroom in Auckland.

Parisian is celebrating its centenary with its limited edition 1919 men’s collection, characterised by opulent jacquard designs in an indulgent colour palette, with fabric woven especially for Parisian in Europe’s specialist mills.

Managing Director John Crompton – whose Great Aunt Ruby started it all – says today, tie wearers stand out from the crowd.

“This collection is not for the faint-hearted, or for those who wish to blend into the background.”

www.parisian.co.nz

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Escape to Havelock North

Surrounded by vineyards and nestled at the foot of Te Mata Peak is the charming Havelock North village. This gem is becoming a tourism hub within the Hawke's Bay region. And in the heart of the village, you'll find the luxurious Porters Boutique Hotel.

Built only three years ago, Porters Boutique Hotel is a fantastic escape for visitors to the region. It's in easy reach of stunning landscapes, award-winning winery restaurants, world-class golf courses, art-deco architecture, and cycle trails to explore.

Just steps from the lobby is boutique shopping – and a thriving café culture. When you've explored the region, relax in elegantly appointed spacious guest rooms, surrounded by plush, classic furnishings and local artwork. Enjoy attentive luxury service and full amenities within a stylish, intimate space.

A highlight is the new Smith & Sheth Oenothèque cellar door and wine lounge, located in the hotel complex. By day, taste wines from premier New Zealand wineries. In the evening get cosy in the wine lounge; the perfect pre-dinner spot before heading next door to Malo restaurant.

A growing number of corporate travellers are choosing the hotel too. Porters Boutique Hotel offers full conference and meeting facilities, with flexible catering options. With three spaces available and hourly room hire rates, there is something to suit a wide range of requirements.

If you're a regular business traveller to the region, Porters Boutique Hotel offers fantastic corporate rates and packages to suit your needs.

**www.portershotel.co.nz, 06 877 1234,
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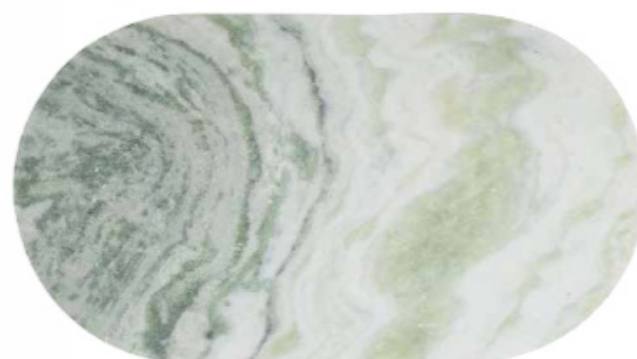
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Luxe Lover



The background of the entire page is a dark, high-contrast photograph of an opulent interior. On the right side, a large, multi-tiered crystal chandelier is illuminated, casting a warm glow. Below it, a smaller candelabra with lit candles sits on a surface. In the foreground, a row of ornate, dark-colored chairs with high backs is visible, facing away from the viewer. The walls are covered in intricate, dark wood paneling with decorative carvings. The overall atmosphere is one of luxury and elegance.

ISSUE
24

AUTUMN 2020

Rich

(adjective)

Having a lot of money or valuable possessions.

– Cambridge English Dictionary



1

“People say, ‘I want to be rich’. The question is, ‘Are you willing to do what it takes?’”

– Robert Kiyosaki, American businessman and author of *Rich Dad, Poor Dad*



How to Get Rich

Is there a formula for getting rich? A researcher has found there are four main paths to wealth – and one of them is almost effortless, writes **Brenda Ward**.

There are four main paths people take to get rich, author and financial planner Tom Corley has discovered.

The US researcher spent five years analysing how rich people get wealthy and talked to 233 wealthy people, 177 of them self-made millionaires.

Here are the paths he discovered. Can you use one to change your life?

Saver-Investor

In his research, Corley found that a whopping 49 per cent of the rich people he studied were Saver-Investors.

“This path is basically living below your means, saving money and then investing that money prudently.”

Corley says saving 20 per cent of their after-tax income was the magic figure for most saver-investors. But you won’t get rich in a hurry using this method.

Using these habits, it still took on average 32 years to accumulate US\$3.3 million. If you start saving early, you can get rich by putting aside 10 per cent of your income, but it will take longer.

“A rich habit associated with this path is knowing and understanding investing,” he says. “Don’t invest in things you don’t know and you’re not familiar with.

“The other rich habit is living frugally. That means that you don’t spend a lot of money, you don’t go to expensive restaurants, or take expensive vacations.”

Budgeting is another rich habit associated with that path to wealth, Corley says.

For those of us who aren’t born into wealth, run successful businesses, or are experts in our career fields, this is likely the only way we can build wealth – saving hard.

Saver-investors include US super-investor Warren Buffett, who had an interest in business and investing in his youth. Buffett went on to own his own hedge fund before founding multinational conglomerate Berkshire Hathaway.

Corporate Climber

Chief executives and high-powered managers have a greater-than-average chance of getting rich, as a glance at our list of famous wealthy people (overleaf) shows.

Chief executives like the world’s third-richest man, French billionaire Bernard Arnault, used this method to grow their wealth.

Corley says it’s not just the big salary or the bonuses that help. Chief executives can get profit-shares and company shares, too.

“The rich habits associated with that are the building of what I call ‘power relationships’, relationships with people who are in positions of leadership within your organisation.

“The rich habits there are the happy birthday call, the hello call, the life event call. These are all calls, not emails, not texting.”

So, the key to working your way up the corporate ladder is finding a successful company, making yourself noticed, and sticking with it, he says.



Virtuoso

A Virtuoso is a top expert in their field.

“These are the individuals who go to medical school or graduate school, law school, that’s knowledge-based.

“Then there are the skill-based virtuosos, which could include surgeons, athletes, and people who were generally at the top rung on the ladder in terms of being experts in their fields.”

The world’s second-richest man, American Bill Gates, started out studying law, but became an expert in computer science, before going on to found Microsoft.

Dreamer Entrepreneur

If you have a passion, you could become a Dreamer Entrepreneur.

About 51 per cent of the people in Corley’s study fell into this path.

“They’ve taken enormous risks, put everything on the line, their house, their retirement plans, and borrowed money to start their business,” Corley says.

People like Virgin’s Richard Branson fit into the Dreamer Entrepreneur path, taking huge risks to get ahead.

In fact, 63 per cent of the rich people Corley interviewed took a personal financial risk in search of wealth, says Corley.

How many tried and failed? According to Corley’s research, 27 per cent of the self-made millionaires failed at least once in business.

And many start-up businesses fail in the first two years.

The top 5 per cent are rich

We all work hard, but most of the money ends up in the hands of a very few wealthy people.

In 2016 in the US, the top 5 per cent of households controlled 60 per cent of the nation’s wealth.

In New Zealand, income used to be spread more evenly from the 1950s up until the 1980s, says inequality.org.nz.

However, over the next 20 years, Kiwis saw the developed world’s biggest increase in income inequality, it says.

Over that time, the average income of someone in the richest one per cent doubled, from just under NZ\$200,000 to nearly NZ\$400,000.

Over the same time, the average income for those in the poorest 10 per cent grew only slightly, leaving a bigger gap between rich and poor.

Inequality.org.nz says: “Another way to put it is that someone in the richest 10 per cent

used to earn five times as much as someone in the poorest 10 per cent. Now they earn eight times as much.”

To find out where your household sits compared to similar Kiwi households, plug your numbers into the calculator at www.inequality.org.nz/calculator/

Lifestyles of the rich

Meanwhile the range of luxury goods only the wealthy can afford has got even more expensive, says *Forbes* magazine.

The *Forbes* Cost of Living Extremely Well Index (CLEWI) climbed 3.4 per cent this past year. The index follows the cost of luxury items over the years.

If you’re one of the wealthy in the US, the cost of your Steinway grand piano has gone up 3 per cent to US\$176,300. The cost of an Olympic-size swimming pool has risen 5.3 per cent to US\$2.1 million, and the cost of a Viking sailing yacht has risen 1.4 per cent to US\$6 million.

Your private helicopter has gone up 2.6 per cent to US\$17.6 million, too.

The good news is that the cost of your catered dinner for 40 (US\$7,907), a case of Dom Perignon champagne to drink with it (US\$2,900) and a kilo of caviar (US\$12,500) for your entrée have all remained the same or gone down in price. ●

How They Did It

An analysis of the best jobs for becoming wealthy shows that those of us in some fields have a better chance of getting onto the rich list than others. Here are some of the wealthiest people in the world and in New Zealand, and their chosen fields.

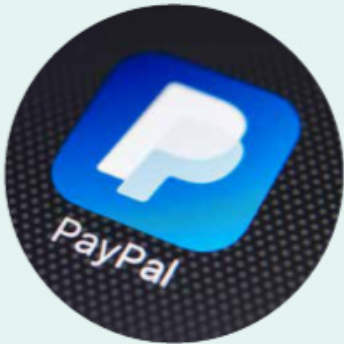
Investing

Warren Buffett
(Berkshire Hathaway):

This US super investor turned an early interest in investing into a personal fortune of US\$82 billion through his holding company Berkshire Hathaway. Now aged 89, Buffett's the fourth-wealthiest person in the world, after starting investing at age 11.



Peter Thiel
(Investor, PayPal):
This US venture capitalist is best known for investing in Facebook in its early days. In 2018, his net worth was reported to be US\$2.5 billion.



Luxury

Bernard Arnault
(LVMH):

French businessman Arnault is the chairman and CEO of luxury goods company LVMH, which recently took over Tiffany's, boosting his net worth to US\$107 billion.



Françoise Bettencourt Meyers (L'Oréal):
Meyers is the richest woman in the world, but not in the top 10. She's the daughter of the late Liliane Bettencourt, and her family owns L'Oréal. Her net worth is estimated to be US\$56 billion.



Business

Richard Branson (Virgin):
English entrepreneur Branson (right) founded the Virgin Group in the 1970s. Now he controls 400 companies and has an estimated net worth of US\$5.1 billion, according to *Forbes*.



Graeme Hart (Rank Group):
Hart built his empire by buying out companies (building supplies, packaging and consumer products). Last year, he became the first Kiwi to hit the NZ\$10 billion mark in the NBR Rich List.



Technology

Bill Gates (Microsoft):

Gates became a tech billionaire as co-founder of Microsoft. He has a net worth estimated at US\$10.4 billion and donates most of his fortune to charities.



Mark Zuckerberg (Facebook):

Facebook creator Zuckerberg started the online platform when he was 19. Now he's one of the top five richest people in the world, with a net worth of about US\$68.2 billion.



Rod Drury (Xero):

Drury is a Kiwi tech entrepreneur. He has started several software companies, including online accounting software company Xero, which went public. In 2017, Drury cashed in NZ\$95 million shares. He had an estimated net worth of NZ\$1 billion in 2019.

Retail

Jeff Bezos (Amazon):

US entrepreneur Bezos was the first person in the world to accumulate US\$100 billion, and he's now worth US\$110 billion. He's best known for founding the Amazon online retail giant.



Sir Michael Hill

(Michael Hill Jewellers):

Hill started a chain of jewellery stores in NZ and in Australia. He retired as the company's chairman in 2015 and his net worth is estimated to be NZ\$320 million.



Dame Anita Roddick

(The Body Shop):

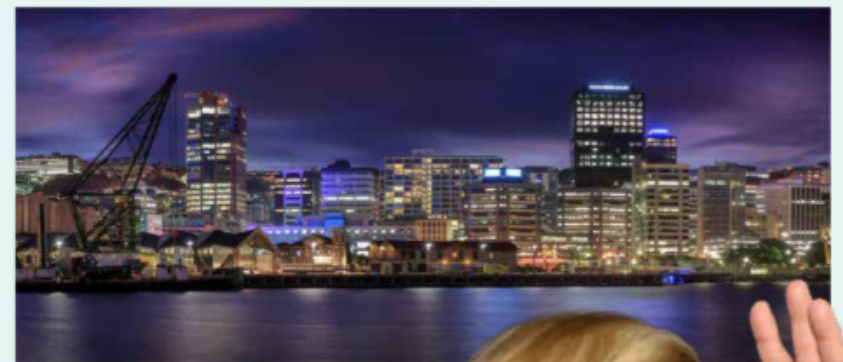
The late entrepreneur turned her passion for helping others into a guilt-free beauty retail empire. Before her death she gave millions to charity and vowed to die with nothing. The £665,747 left in her will all went in inheritance tax.



Property

Bob Jones (Robt. Jones Holdings Ltd):

NBR says the Wellington-based commercial property investor is now worth NZ\$1 billion after doubling his fortune over the past six years.



Donald Trump

(The Trump Organization):

The US president took over his family's business and has amassed a portfolio of about 500 commercial buildings, golf courses, and a winery. He has an estimated net worth of US\$3.1 billion.







Where to Put Your Money for Higher Returns

With interest rates shrinking, investors are wondering how to get decent growth from their savings. Financial author **Mary Holm** says there are ways to get better returns – but there's some risk, too.

This is a story of twos. We'll start with two rules about risky investments.

Rule number 1: If you want high returns, you'll have to take high risk.

There's no such thing as a low-risk investment that brings high returns. If somebody tells you, "My investment will bring you a guaranteed 10 per cent (or 20 per cent, or whatever), and it's safe", ask them why they're offering such good returns.

After all, it's either money out of their pockets, or money they could be earning themselves.

The reason must be that potential investors will realise it's risky, and invest only if the returns look attractive enough.

Rule number 2: Short terms and high returns don't go together comfortably.

It's certainly possible to get a high return over just a few months – if you're lucky. But any investment that can rise fast can also fall fast.

Don't try to make big bucks over a short period.

It's far better if you have a decade or two, or five, before you plan to spend the money. That way, if your investment goes through rocky periods, there's time for it to hopefully rebound.

Two ways to invest riskily

- Lend your money to a finance company that pays higher-than-bank interest. The risk is that after a while the company doesn't pay the promised interest, or doesn't repay your money at the end of the term.

And don't be comforted by the fact that a company is offering only a little more interest than banks. That doesn't necessarily mean they are only a little riskier, as too many New Zealanders found out during and after the global financial crisis of 2007-08.

- The recommended way: Invest in shares or property. These are risky in – wait for it! – two ways.

Firstly, their value fluctuates. In most cases, the long-term trend is upwards, but there are dips, and sometimes crashes, along the way.

You have to be able to tolerate this, and stick with the investment through the bad times.

Secondly, the value of a share can go to zero, if the company collapses. The value of a property almost never goes to zero, but it can go down and stay down because of contamination, structural problems, changes in the area or other misfortunes. How about a gang moving in next door?

You can greatly reduce the second of these risks by diversifying – spreading your money over different types of investments.

If one or a few of your investments crash, you'll have others to compensate. Also, diversification helps to smooth out your ride.

How to diversify

The easiest way to diversify is through a managed fund, in or out of KiwiSaver.

YOUR INVESTING

These funds pool many investors' money and buy lots of shares, properties, and fixed interest investments (bonds or cash) or a mixture of these. But bonds and cash are lower-risk, lower-return investments, so if you're after high returns, stick with a share or property fund.

In recent years, these funds have often brought in more than 10 per cent a year, but that's unusual.

The long-term average is closer to 6 or 7 per cent, after fees and tax. And there will be quite a few years when the return will be negative and your balance falls. But if you stick with it, over say at least 10 years, you should get good results.

Using other people's money

Want more than a 7 per cent average? You could borrow to invest, otherwise known as 'gearing' or 'leveraging'.

This is, of course, how most people invest in rental property. And, although it's hard to imagine now, many New Zealanders borrowed to invest in shares during the 1980s share boom – before the big 1987 crash.

Let's look at how gearing works. We'll start with a property investment, because it's the most familiar.

It could be good: All goes well, and you get the gain on the bank's (or other lender's) money, as well as your deposit.

Let's say you borrow NZ\$800,000 and put in NZ\$200,000 to buy a NZ\$1 million property. To keep the numbers simple, we'll say you have an interest-only mortgage which is covered by the rental income.

Prices then grow by 10 per cent, so you sell the house for \$1.1 million. After you've paid back the NZ\$800,000 loan, you have NZ\$300,000. House prices rose 10 per cent, but your NZ\$200,000 investment has grown by 50 per cent.

It could be bad: House prices fall. New Zealanders tend to forget, but property downturns have happened before and will happen again.

In our example, if the market dropped 25 per cent, the house would be worth NZ\$750,000. If you could ride out the bad times, fine.

But if you find you need to sell, which happens more often than we think, the proceeds from the sale wouldn't cover your mortgage. You'd be left with no house and a NZ\$50,000 debt.

You've not only lost your money, but worse, you still owe money on a house you no longer own.

That's something that happens only with geared investments. You have been warned!

The way to reduce risk in pretty much any diversified share or property investment – geared or not – is to commit yourself for years.

Make sure you won't be forced to sell, and never react to market wobbles by selling. Markets always recover in the end.

What else?

What about other assets, such as gold or cryptocurrency?

These tend to be higher risk than diversified shares or property. And you're not earning dividends or rent along the way.

If you want to put a small proportion of your savings into a more exotic investment, go for it. You might get lucky – or unlucky.

However, I wouldn't recommend this kind of speculation for major investments. 🚫

Definitions

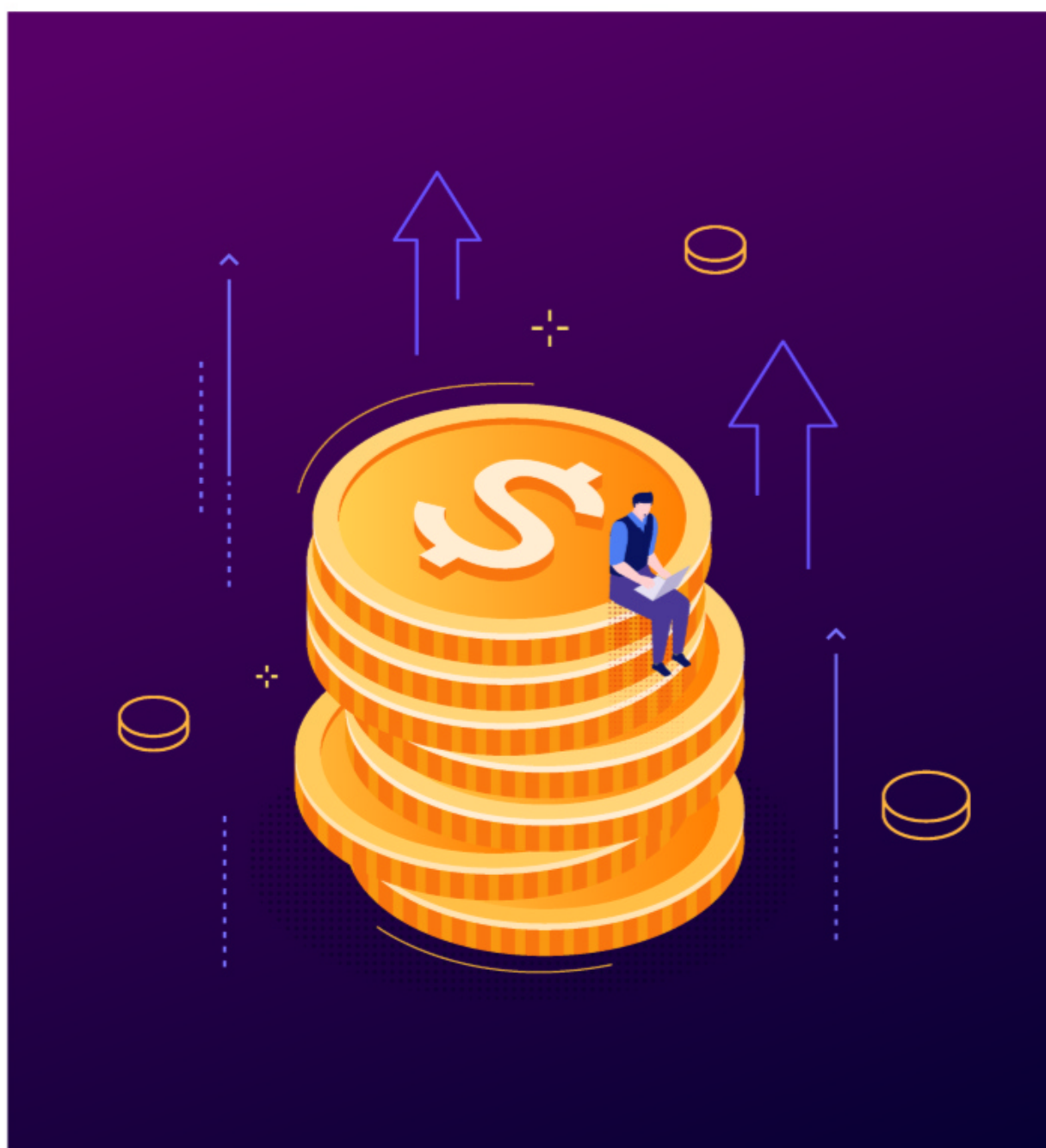
Bond: An investor loans money to a company, government or council for a fixed time, and receives a set interest rate.

Cryptocurrency: A digital or virtual currency that uses computer coding for security. Bitcoin is one example of a cryptocurrency.

Diversified portfolio: Having a mix of investments, which helps reduce your risk. It's about not having all your eggs in one basket.

Return: What an investor earns on an investment during a certain time period.

Risk: The level of uncertainty around your investment returns. All investments, including KiwiSaver, come with risk. Taking on more risk means you may get higher returns over time, but also potentially larger losses if the market suddenly changes.



Commercial Property for Real People

Invest like a high-net-worth individual without spending millions of dollars, with Silverfin Capital's proportionate ownership model.

Many people want to diversify their investments into property, but find the cost of buying a quality commercial building prohibitive and the ongoing management burdensome.

With Silverfin's proportional ownership investment structure, ordinary Kiwis can become commercial landlords without the hefty price-tag, or the hassles of managing tenants, says chief executive Miles Brown.

"We enable people to invest as though they were an institutional investor or high-net-worth individual, by purchasing smaller interests in high-quality commercial real estate."

The company was set up by the late Cheryl Macaulay in 2016 and the company is staying true to her legacy of buying high-quality, top-performing commercial and industrial assets.

Says Brown: "Silverfin's portfolio has grown at roughly NZ\$100 million worth of property every year for three-and-a-half years and we're currently sitting at about NZ\$400 million."

Silverfin's goal is to syndicate \$100 million worth of high-quality commercial property every year.

Syndication is a tried and true model that's been used for over 30 years.

Silverfin gets a property with good investment fundamentals under contract,

splits the ownership of the property up into, say, 200 interests of NZ\$50,000 each and then raises the required equity by selling interests to investors.

Everybody who buys an interest in that property indirectly owns their percentage of it. Distributions drop into the investor's account monthly, pre-tax, which is useful for charitable trusts, who don't pay tax on their investments.

Silverfin's latest scheme is the syndication of a supermarket leased to a national chain in Tauranga. This offer will be available to wholesale and eligible investors.

Attractive returns are making syndication a popular choice now that bank rates are at an all-time low, says Brown.

"We find that lots of people are moving money out of their current accounts at the banks and into this sort of investment product. We expect the trend to continue while interest rates remain low."

Brown says many investors are moving to syndication after being landlords.

"We offer a mechanism for them to still participate in direct property ownership without the management hassle that goes with it."

Property syndication works best as a medium to long-term investing strategy, but investors can list their interests for sale on the Syndex platform at any time.

Syndex was created to provide a market place for the secondary sale of syndication interests.

The only active Silverfin scheme is the new project, but interests in existing schemes are sometimes available to buy on Syndex.

There are risks in syndication, but Silverfin works hard to minimise them, says Brown.

One risk is rising interest rates. Silverfin typically uses debt to fund up to half the cost of each acquisition. Rising interest rates could reduce an investor's returns over time, although the impact can be reduced by increasing rents.

Another is tenant risk. "But to minimise that risk, we target long-term leases with robust tenants."

Other issues that can be managed are repairs, insurance and leverage – the need to extend loans from time to time.

"What we're all about is finding quality property investments for our investors which should offer between a 6.5 and 8 per cent per annum pre-tax distribution return, and have good prospects for capital growth."

Silverfin is run by a passionate, tight-knit team that puts investors' interests first, says Brown. The door is always open for coffees and a chat.





Get Rich, Stay Rich

Getting rich may be hard, but staying rich can be even harder, writes financial adviser **Martin Hawes**. Diversifying your portfolio can be a way to help reduce your risk, and help keep your money safer.

Those in a hurry to get rich tend to take risks and use just a few strategies to get ahead.

They often concentrate their wealth to a business they're growing, or perhaps to an aggressive portfolio of shares, or a few rental properties – and then they own little else.

These ways of getting rich need a lot of work and carry quite a lot of risk, but if you get it right, yes, they will make you wealthy.

But once you're rich, you need to adjust your approach, or you could end up losing it all.

Hold on to wealth

In the finance world, we call this way of building wealth 'concentration'. Concentration creates wealth, but it's diversifying that can help hold on to wealth.

So, what is diversification?

Diversification means spreading your money across a range of different assets, across different risk levels. For example, you might have some money invested in higher risk shares, or some in lower-risk term deposits.

It's the opposite of concentration.

A diversified portfolio will likely help you

cope through almost any economic disaster the world throws at you. That's because some part of the portfolio will usually perform, whatever happens.

Diversifying means that you're unlikely to lose absolutely everything, but it does mean your rate of growth could be lower.

There's place for both these styles of investing: concentration of wealth, and diversification.

- Concentration can help you grow wealth faster (but can be risky).
- Diversification can help you preserve wealth (but could give you lower returns).

Wealth-creating assets could be a business, an aggressive share portfolio, or rental properties. These might help you get wealthy. But a diversified portfolio could help keep you wealthy.

Generally, younger people concentrate their wealth. That's because they have time to fix any mistakes and their goal needs to be creating any wealth.

To do that, they need to take risks. Nothing happens if you don't take some risk, and people who want to get rich usually need to take more risk than most.

Keeping it

As people accumulate some wealth and grow older, they need to change their focus from making it, to keeping it.

We've all heard the stories about people who became wealthy but kept taking too much risk and lost the money. They need to diversify, so that when they become rich, they have a better chance of keeping their money.

Most people who have wealth-creating assets plough every spare dollar back into their enterprises.

The profits they make and any other spare bit of cash they get go back into growing their business, or renovating their property, or buying more shares for their aggressive share portfolio.

Double or quits

They're playing double or quits, and they bet everything they have on just one asset class.

Having everything in just one basket works well if the rental properties, shares or the business turn out to be good baskets.

If they manage the business well, buy the right properties or have a good performing share portfolio, they could be on the fast track towards financial freedom.



Diversifying means that
you're unlikely to lose
absolutely everything, but
it does mean your rate of
growth could be lower.



But if they make a mistake, or if something unexpected happens – interest rates shoot up, the share market tumbles, a competitor starts up down the road – they can be thrown out of the game.

Diversifying is key

I believe that even young people who are going headlong to become wealthy through a business, aggressive share portfolio or rental properties should put some part of their money into a diversified portfolio.

This could be a managed fund or some other portfolio and will probably, at first at least, be a relatively small amount.

If you're in business or trying to become wealthy some other way, you should, in a planned and deliberate way, put some money aside into a diversified portfolio.

There are three good reasons for this:

1. Having assets tucked away in a diversified portfolio means you have something to fall back on. You can call on this money to get you through a bad patch. Always remember that 'to be able to thrive, you first have to survive'.
2. The money you have in assets is also there to be used in the event of an opportunity. Maybe there's an economic

downturn – many people have become wealthy because they had money to buy distressed assets in bad times. If you have some investments put safely aside, a downturn is not a threat – it's an opportunity.

3. People need to learn how portfolio investment works. Investing in a diversified portfolio does this; you learn by doing. Eventually, we all want to reach retirement with enough capital to live well, and that'll need to be invested in a portfolio. Learn early how this works rather than waiting until you hit retirement.

I think these are compelling reasons for people who are on a path to wealth to divert some of their incomes to assets in the form of a diversified portfolio.

Try not to put everything back in the business, share portfolio or rental properties. If you're setting out on the road to wealth, putting a regular amount off to reserves stored safely in a diversified portfolio might turn out to be the best thing you ever did.

It's a good idea to see an independent financial adviser, who can help you work out what investments are best for your risk level, and personal situation. ●

Martin Hawes is the Chair of the Summer Investment Committee. The Summer KiwiSaver Scheme is managed by Forsyth Barr Investment Management Ltd and a Product Disclosure statement is available on request. Martin is an Authorised Financial Adviser and a Disclosure Statement is available on request and free of charge at www.martinhawes.com. This article is general in nature and not personalised advice.

Definitions

Asset class: Types of investments. These include shares, property, bonds and cash.

Risk: Risk means the uncertainty around your investment return. All investments come with risk. Taking on more risk should mean you could get higher returns over time, but also potentially larger losses if the market suddenly changes.

Risk level: Finding out your risk level means working out how long you'll have your money invested for (short term or long term), your goals, your financial situation, and how comfortable you are with investing.



To Grow a Business You Need Drive and A Reason

Auda Finan's life changed forever when she started making vegan cheeses from home.

"If someone had told me how hard this was going to be, I wouldn't have done it – so it's lucky that I didn't know," says Auda Finan with a laugh.

Four years ago, she was making her own organic, plant-based cheese from her kitchen. Friends kept telling her she had a great product and she should turn it into a business.

She did, but it took a year to get the green light on her custom food control plan and launch her first vegan products.

There is no Ministry for Primary Industries template on how to make fermented cashew cheese. Finan also had to prove her methods and the resulting products were safe for consumers.

Through trial and error, she found a successful production method.

Today she makes five vegan products that sell in selected New World supermarkets and gourmet grocers. Her products have won several awards.

In the three years Savour has been operating, sales have risen from 50 units a week to 500.

If she could produce enough product to meet demand, that number would be even higher.

Right now, Savour doesn't have the capacity to export or sell online, despite plenty of requests for both.

"We're selling it as fast as we can make it,



but the production is tough. We need to make more and reduce the cost.

"The first step is moving out of my current premises into a bigger facility, because I just put a seventh fridge into a commercial kitchen the size of a double bedroom, so it's a pretty tight squeeze.

"In early 2020, we will be setting up a PledgeMe campaign to get some extra investors to help with that. I'm going to need bigger equipment, although I don't know exactly which equipment yet.

"We're also switching to more eco-friendly packaging and, ideally, I'd like to launch a couple more products over the next year or two."

Finan is at the forefront of a global movement toward sustainable plant

products, with plant-based protein sales forecast to grow from US\$4.6 billion worldwide in 2018 to US\$85 billion in 2030, according to a 2019 UBS report.

It's turned a profit every month so far, and with more non-vegans than vegans buying the products, all the signs are positive.

She admits that there are days she wants to give up, but her fantastic team of supporters and staff keep her going.

"I have a wonderful accountant and an investor who helps with business strategy, plus a full-time worker, and an amazing saleswoman.

"I think to have a successful business you must have a drive, a reason and a passion – and then you need the right people behind you." ●

J

I Decided To Do Something Smart With My Money

Walter Neilands saved hard to buy three rentals before he was 28.

Walter Neilands went from being a kid in a struggling family to owning three rental properties by the age of 28.

He says he's not a big-shot property investor, but he hopes his story inspires other millennials to set themselves on the path to financial success.

The former Sticky TV presenter was raised in the South Island, as part of a big family struggling on one income.

"We had to cook our dinner on a fire on the driveway once or twice because the power was cut off when we couldn't pay the bill. And sometimes, we might run out of food.

"As a child observing that, it made me think when I got the opportunity, I was going to save my money and do something smart with it."

After jobs mucking out stables and washing dishes in a café, he got a role presenting kids' TV and decided to start saving up for a house.

Neilands lived with others in a cheap flat and saved nearly half of his pay.

"I recommend other young people who have a goal of buying a property set up an automatic transfer. Or, be super-excited every time you get paid to just manually transfer across as much as you can into your savings – a big chunk of it.

"What gets really exciting is that every time you get paid, you can see that savings grow."

After pay rises, he squirrelled away



NZ\$120,000 and was ready to buy his first property, a do-up in Whangarei that he renovated in weekends.

"I'd present TV all week in Auckland and then on Friday night or Saturday morning drive up to Whangarei with my brother. It took months to do work that right now I could do in four weekends. It was ridiculous. I'd be working till 4am."

He used YouTube tutorials to teach himself plumbing, plastering, painting, tiling and landscaping. For big jobs, he paid for contractors.

He then bought a second and third house, and is considering buying a fourth.

Neilands says: "I recommend young people get into real estate. Buy a property that needs a bit of love, a bit of renovation, so they can buy it a little bit lower. Then spend

\$10 to \$20k on it, and you might be able to make \$100k equity in it.

"Get some flatmates in. It's going to help you with the mortgage, plus you'll be with your friends.

"The other thing I like about it is your friends won't be paying the rent for the whole house, so they'll be able to save up for their own house."

Other tips include setting up a revolving credit facility to use for renovations or a deposit and talking to five mortgage brokers to see which one gives you the best deal and the most confidence.

"Buy with formulas, not feelings," he says.

"Your first home doesn't need to be your dream home. It's just something you can use to get you to your dream home." ●



Cashflow Path is Essential for Business Success

Michael Whitehead made his fortune with an early software company. Now he's helping others build theirs.

Starting a tech business when most households didn't have the internet was tough, recalls entrepreneur and philanthropist Michael Whitehead.

Whitehead co-founded WhereScape, a data warehouse and automation software company, in 1997. As chief executive and then director, he grew it into an international business with revenue of NZ\$50 million.

After it was sold in 2019 to US-based Idera, the technology and data trailblazer decided to help others grow their own ventures.

"We started off earlier than most, that's for sure," he says with a laugh.

"There weren't many people who had done the journey before us and could help us out. Now I'm trying to give back – I can help other people coming through not to make the same mistakes we did.

"Hopefully they can make new, more exciting, more fun mistakes."

His new project is Tap-In Ventures, where Whitehead is among the experts mentoring business owners so they can take their ideas and operations to the next level.

The first essential is positive cashflow, he says, if not right now, at least a path to it in the future.

"At MIT in Boston, on an entrepreneur course, Ken Morse told us, 'CIMITYM: Cashflow is more important than your mother'.



"A lot of people will tell you that your idea is great – and it probably is – but it takes a hell of a lot more than that to make it a success. You have to show that the path to making money is there."

It's sometimes a challenge being from a tiny island, but our Kiwi outlook can be an advantage on the world stage, says Whitehead.

Not needing to grow in scale immediately, Kiwi entrepreneurs have time to tackle the kinds of tricky problems that other countries' entrepreneurs don't get around to.

"You can apply a different angle to a problem, which means you can look and sound different, which can give your product a unique position."

You also need the right people.

"When you scale up, you get a different level of problems that can't be sorted just by money," Whitehead says.

"Ultimately, people buy from people, so your relationships and networks are far more important than you first realise.

"It doesn't matter how hard you work, you also need luck, and sometimes that's meeting someone who's happy to help you.

"Of course, if your idea isn't good enough, or you're not making enough progress, you need to know when to pull the plug."

Before you take on a new venture, whether it's a tech startup or a side hustle, define what you want out of it, he says.

"Be very clear what your definition of success is and, more importantly, what your definition of failure is: 'If I don't achieve this by then, I need to pivot'.

"You need to know when to call it.

"If you're putting in all those hours and all that work, and it's not succeeding, maybe it never will. Know what success looks like for you." ●

J

Don't Give Up when You Don't Succeed Right Away

Descended from a property pioneer, **Kiri Barfoot** has learned for herself the secrets of success.

Kiri Barfoot started out as a salesperson in the family business, Barfoot & Thompson, but now she's a director.

In 1923, her grandfather was one of the founders of the business. It's since grown to become New Zealand's largest privately-owned real estate company.

During her time as a director, Barfoot & Thompson has increased its rental portfolio from around 11,000 properties to 17,000.

Despite a neutral or slightly declining Auckland market over the past three years, (which is now starting to pick up), both branches and staff numbers have increased.

Barfoot started out as a salesperson after spending her early years backpacking in Europe and the Middle East.

At 23, she joined the family business for a few years.

After leaving to experience working in businesses such as Clear Communications and Telecom, she returned to the business in 1999.

After learning the ropes as a property manager and salesperson, she became a branch manager – although only after five rejections.

“You don't always get the job you want the first time around, even if you have the same last name as the company,” she says with a laugh.



There are pros and cons to succeeding in a family business, she says.

“Sometimes people tell you what they think you want to hear, instead of the truth, which isn't always helpful.

“And there's a degree of nepotism that makes some people uncomfortable. But the upside is a family-run business with an inclusive attitude and an enviable pedigree, which employs around 2,400 people.”

The real-estate business has been a launchpad for many people looking for a new beginning, says Barfoot.

“It's a great opportunity. We often have people joining the team who are recently divorced, raising families, or haven't been in paid work for a long time.

“And we see a lot of new immigrants who might be qualified lawyers or engineers, but they can't get work in New Zealand.”

She says these successful people often

have a goal of buying a house and, by the time they achieve that, their hardworking and thrifty habits are ingrained – they're on their way to wider success.

She says successful people at Barfoot & Thompson are those who take the time to learn about all the aspects of their industry, have exceptional people skills, build strong networks and keep up to date with innovation and systems.

It's also important not to be disheartened or give up when you don't succeed right away.

“People will say no to your deal, your plan, or your service,” she says.

“But you can't go home and sulk about it. You need to fix the problem, be able to receive and accept constructive feedback, or say: ‘Okay,’ and move on.

“To succeed, you've got to have realistic expectations. Trust your gut, but also make sure you do your research and ask lots of questions.” ●





Time Makes You Rich

What really makes you rich? It's not always money, writes **Brenda Ward**. She spoke to an expert who believes time is our biggest and most misused asset.

What happens if you lose all your money, asks Kiwi productivity and business coach Sarah Greener. Over the years, you might be able to build your savings up again.

But what about your time? If you waste your days on meaningless tasks, doing things you hate for people you don't respect, you'll never get that time back.

The message she's spreading is that too many of us are misusing our time.

"We all know wealthy people who are unhappy," she says.

"If you've got a million dollars and you're still every day doing things that don't light you up, that aren't in alignment with your priorities, you're still going to be miserable."

Greener says investing your time wisely will help build the wealth that's your health and relationships.

Greener says we could reach our life goals more easily if we made a switch and started valuing time over money.

Part of the problem is that we believe too many myths about time, Greener says. Here are a few of them.

Myths about time

- **Busy equals successful:** Being busy isn't a good thing. If you're overwhelmed by your schedule it's often just a lack of priorities, says Greener.

It's probably that you have so many tasks, you don't know what to work on first.

"Being effective is what you should strive for," Greener says.

When busy people are overwhelmed, they don't make good decisions.

- **I'll have more time when...** We tell ourselves there'll be more time next week, or next month, or "when I finish this task", or "when I retire". "But there is no more time, it's simple maths," she says.
- **You can do anything:** No, you can't. Sometimes you should simply delegate a task or accept that someone else could do it better or more quickly. Work out what's most important to you, Greener says. "What are the things that are so important in life that if we took them away, your life would be empty?"
- **Multitasking:** It's simply not possible to multitask, argues Greener. Your brain doesn't work that way. "The moment something becomes important, you'll focus on that. For example, say you cross the road, looking at your phone. If something comes up that's a big deal, you'll stop walking."
- **Being a perfectionist:** If you pride yourself on being a perfectionist, you should let go of that trait, says Greener. "Perfect means it never gets done."
- **No time for myself:** Too many people put everybody else first. "It could be clients, family, your work team." Some people feel: 'I'm a helper'. But you don't have to put yourself at the bottom of the list.

Get started

So, how do you get the life you want?

The way to get started, says Greener, is to think about your ideal week and what you'd really want to do in it. Is it spending time with family? Is it fitness? Maybe your passion actually is your work?

Come up with your three to five priorities, Greener says.

"A question to ask would be: what lights you up? If you're at the world's most boring dinner party and someone starts talking about a topic, what is it that

you'll then stay until the middle of the night talking about?"

If you put answers for those questions, you'll see that there's a theme. 'My health's important', or 'my family's important', or 'my money's important'.

Take back control of your time and spend it doing things you enjoy.

Here's three-step way to refocus on your life priorities:

1. **Plan.** Set aside an hour to work out your week ahead. Get a pen and paper and plan your week. Write down the important things you have to do to get closer to your vision.
2. **Schedule.** Go back to your tasks and set a time frame for each goal. Be kind to yourself and don't try to fit more in an hour than you can.
3. **Do it.** If you don't get it all done this week, maybe take it out. Or delegate it to someone else.

Make decisions easy

If you suffer from 'overwhelm', it could be due to 'decision fatigue', says Greener. The part of the brain responsible for decisions and willpower seizes up.

"Like reps at the gym, your muscles start to fail. You only get so many decision points to make in a day. The outcome is you end up making the easier decision – or none at all."

We all make dozens of decisions before we even go to work in the morning. Do I get up with the alarm or hit the snooze button? What do I wear? What do I eat for breakfast? Where do I have coffee?

Make life easy by reducing the choices, to reduce your decisions. And work out which decisions will reduce other decisions.

A routine can help. Eat the same thing for breakfast every day. Have a Monday outfit, a Tuesday outfit and so on. Make sure everything has a home, so you'll never lose your car keys.

For your bigger goals, says Greener, decide what you want to do, and say no to everything else.

Don't be sidetracked by emails – don't open them until after lunch. Use an autoreply saying if it's urgent, to call you.

Stop hoping and start doing. Greener calls 'hopium' the drug of the masses.

"Goals don't show up if you're hoping. Your goal should be where you want to be in 10 years and then it's reverse engineering. Where do I need to be in five years?

"I'll take one step to do today to get me closer to my goal."

A hard lesson

Greener says she learned the hard way she needed to prioritise, when she and her husband started a business.

"Long hours were okay for a little while, but over time it became a really bad habit."

Then on Christmas Day 2016, she ended up working because some staff didn't show up for work. Her then five-year-old daughter was at home with a babysitter, and phoned her mum.

She said: "Next time you're both going to work on Christmas Day, can you let me know, because you should be at home with me reading my story and not at work."

Says Greener: "It was a total stab in the heart."

When she went home to her daughter, she decided to change her life.

"I realised that I was grumpy and tired when I was home, because I wasn't sleeping well. I was stressed out. I wasn't making time to do the things that were important to me."

Many of us get stuck saying we don't have a choice: we have to go to work.

We all need to earn money to put food on the table, but Greener says you have a choice of where you do that work.

"Sometimes it might just be parts of the job that you don't like. Work out what bits are great and find a way to reframe the bits that aren't so great.

"Your time is how you leave your impact on the world, your legacy, your children, your relationships, the people you touch. You do that with your time." 📌





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Build Wealth Through KiwiSaver

Of all the ways you could build your wealth, KiwiSaver is probably the simplest. But to maximise the amount of money in your account, you need to check six things.

Claire Connell explains.

KiwiSaver started out small, but it's growing fast. There's now more than NZ\$60 billion of Kiwis' money under management in the retirement scheme.

KiwiSaver is so popular because it's easy. It's automatic savings, because your contributions can be deducted from your pay each pay day.

Another reason is, provided you're contributing enough, your employer puts in 3 per cent of your pay as a contribution. And if you put in enough money each year, the government tops up your savings with up to NZ\$521 in free money.

Your KiwiSaver account can help set you on the road to riches because it can help you save for a deposit to buy your first home. This means you could own a valuable asset like a house much sooner, using your KiwiSaver money. There are also government grants you might qualify for, to help with your first-home purchase.

And then there's its main purpose, to build a nest-egg for retirement. At 65, you'll hopefully have a decent sum invested to help live on when you stop work.

But if you haven't checked in with your account for a while, you could be missing out. Ask yourself these six questions once a year, because they can really help boost your balance.



1. How much are you paying in fees?

KiwiSaver providers charge different types of fees to manage your money, and these can vary from tiny to huge. Check how much you're paying in total fees by checking the dollar amount in your annual statement.

You might be happy with how much you're paying, or you might feel that you're being ripped off.

Remember, returns can vary year to year, but fees will always come out of your balance. Of course, the less money that comes out of your savings the better.

2. Are you in the right fund?

Even if you've decided which scheme your KiwiSaver money will go into, you might still be in the wrong type of fund for your situation.

The fund that suits you best depends on factors like how long you'll have your money invested and how comfortable you are with investing.

If you're investing for 10 years or more, and you're comfortable with investing, you could build your balance a lot faster over the long term by moving from a conservative or balanced fund to a higher risk fund, like a growth fund.

3. How did your KiwiSaver provider perform?

The best way to rate funds is against their 'market index'. A market index has a similar make-up to the fund you've chosen. This means the index faces similar risks to your fund. If your fund does better than its index, then it's outperforming. If it does worse, it's underperforming.

Providers might advertise how good their returns have been over a quarter, or over a year, but it's long-term returns that really count. Great performance for a year may never be repeated, so you can't rely on it.

But a long period of poor performance in a good market may be a bad sign. If that's your fund, you maybe should look for a provider that can do better. Or at least ask your provider why they didn't do well, when the market did.

There are online tools to help compare your fund's performance against similar funds. Sorted's Smart Investor tool, the FMA's KiwiSaver tracker, and reports like Morningstar's, are a good guide.

4. Are you putting in enough to get free money from the government?

The government contribution of up to NZ\$521.43 every year (formerly the Member Tax Credit) can really help boost your balance over the long term. A bigger balance means you could get higher returns.

If you earn at least NZ\$34,762 (before tax) and you put at least 3 per cent of your salary into KiwiSaver, you'll automatically qualify for this free bonus from the government.

If you're self-employed, you can get it too. Just put at least NZ\$1,043 into your KiwiSaver account each year (about NZ\$20 a week). If you can't afford to put the full NZ\$1,043 into your account, you'll still get a proportion of the government money.

5. Are you on the right tax rate?

Over 1 million Kiwis are on the wrong tax rate or PIR (prescribed investor rate),

for their investments, including many KiwiSaver accounts.

The rate of tax you pay on your investment returns is based on your total income. Because income can change, so can the tax rate. This matters, because if you pay too much tax on your KiwiSaver account, you can't get it back. And if you don't pay enough tax, you have to top it up.

Paying more tax than you need to reduces your balance, so you'll have less money to earn returns on.

Contact your provider to find out which PIR rate you're on. The IRD has tools you can use to calculate the right rate.

6. Are you in a default fund?

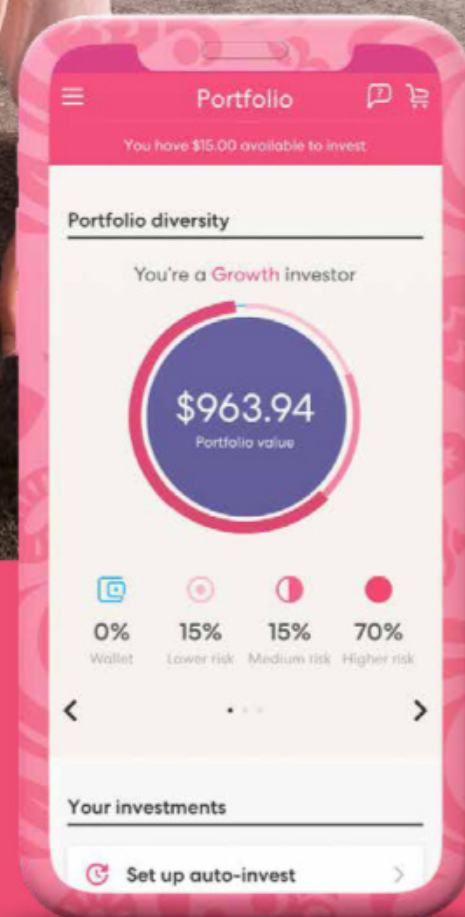
Around 400,000 Kiwis have their KiwiSaver balance in a 'default' fund. This is the fund you were automatically allocated to when you joined KiwiSaver. You'll stay in it unless you actively decide which provider you want to manage your money.

Default funds are not necessarily bad, but it's important to find out if you're in one, because it might not be the right investment choice for you.

Default funds tend to invest conservatively, meaning they're lower risk, but in return, they usually make lower returns. If you're in KiwiSaver for the long term, you might be able to take on more risk – and hopefully get higher returns.

Once you've gone through this KiwiSaver checklist and you're happy with your answers, it's a good idea to set and forget. After that, check in with your KiwiSaver account once a year. ●

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Did Baby Boomers Have it Easier?

When it comes to owning property, are millennials really as hard done by as many claim they are? **Claire Connell** speaks to the experts about how the data stacks up.

You've probably read all the articles. All millennials need to do to get into their first home is give up their luxurious lifestyle of avocado on toast, overseas trips and flat whites, say baby boomers.

But millennials argue that with house prices at their highest in history, it'll take a financial miracle (like the Bank of Mum and Dad) to get them on the property ladder – if they can even step on it at all.

Brad Olsen, senior economist at Infometrics, says there's no doubt millennials have it tougher when it comes to getting on the property ladder, because they now often need a 20 per cent deposit to buy their first home.

"And house prices have risen at such a fast pace over recent years, particularly in relation to income.

"It takes millennials longer to get on the housing ladder, then takes them longer to pay the house off over their lifespan.

"I would expect them to be in a worse financial position than previous generations," Olsen says.

Data and comparisons vary, but economist Benje Patterson says in 1985, the average New Zealand house price was NZ\$65,000. This was just over three times the average individual income of NZ\$19,000.

Fast-forward to 2019, and the average house

price was NZ\$600,000 – about 11 times the average individual income, he says.

"We're really at the limits of how stretched house prices can get relative to income. There's only so far that elastic band can stretch," Patterson says.

And Olsen says, "We can see that house prices have increased 248 per cent since 1999. Incomes have only gone up 113 per cent."

But what about interest rates?

Some argue that in the 1980s, when many baby boomers were buying homes, mortgage interest rates were hovering around a shocking 20 per cent. Now they're around 4 to 5 per cent.

"But baby boomers were given an easier path if they managed to get hold of a house," Patterson says.

Those who managed to get the deposit, get the mortgage, and then get the house "did have it more or less set", he says.

"It was difficult with those interest rates, but they came down, and then they ultimately got a freehold asset pretty early on in their adult life."

Then the value of their property probably increased significantly, leaving them with large amounts of equity.



What if the mortgage rates go up?

Patterson says millennial homeowners today are a "very risky proposition".

"We have these massive, massive mortgages, relative to our income, and we're paying record-low interest rates, which is keeping them relatively affordable.

"But if interest rates were to go up to historical averages, back up to 8 per cent ... that's why you really need two incomes," Patterson says.

He says that's also why banks are looking more closely at household incomes, and making sure buyers can afford their mortgages even if interest rates go up, known as "stress-testing".

"Because these mortgages are so huge, many households are going to need longer to pay off the principal – they might need all those 30 years."

The cost of education

Many millennials are also grappling with the huge financial cost of student debt.

Up until the early 1990s, tertiary education was largely free in New Zealand.

The government's student loan scheme started in 1992, paving the way for generations of Kiwis to be loaded up with large student debt.

It's not uncommon for Kiwis to have



student loans of around NZ\$30,000 or NZ\$40,000 – sometimes much higher.

Repaying a student loan can have a huge impact on a borrower's financial situation for close to 10 years or more, resulting in many young professionals not being able to afford houses until this debt is cleared.

Plus, if they head overseas to earn better money, they'll start paying interest.

The lifestyle aspect

The phrase 'the avocado on toast generation' can ring true for some millennials.

Eating out used to be reserved for special occasions for baby boomers, but millennials are heading out far more often for breakfast, lunch, dinner, or just coffee.

Air travel has also come down in price since baby boomers were young. More competition and online booking platforms have made travel cheaper.

Many millennials are partnering later in life, and starting families later. So, that gives them more time to enjoy their money, Patterson says.

"Millennials are able to enjoy quite good lives at present – they do have a lot of fun.

"In some cases, they're pre-loading their leisure at this end of their life. A lot of baby boomers do it at the other end – they had kids first."

Student debt hits hard

- 709,000 Kiwis have a student loan
- The average student loan balance is NZ\$22,600
- Students have borrowed NZ\$27.4 billion since 1992
- 1.33 million people have taken out a student loan since 1992

Source: Ministry of Education, as at June 2019

Millennials and wealth

So, without being able to rely on property to fund their retirement, how will younger generations grow their wealth?

Experts agree that contributing regularly to KiwiSaver is an essential tool for young (and not-so-young) Kiwis.

"Over time, as you quietly grow that nest-egg, it's going to build up to quite a sizeable share of money," Olsen says.

Patterson agrees: "You'll have that snowball effect, from the eighth wonder of the world – compound interest. Or compounding returns, in this case."

Diversify instead

Olsen says rather than investing solely in their own homes, millennials are increasingly trying to invest in a diversified set of assets.

This might include long-term share investing, which is now more accessible due to new online platforms – and traditional property investing.

"Some of [their money] might be in housing, and perhaps instead of buying a first home, they might buy an investment property first to build up some equity.

"I think millennials are increasingly worried about how to make money, when increasingly property is harder to get into."

Patterson says: "It's a much trickier path for millennials to gain wealth through property. But property is a bit of an unproductive asset for New Zealanders as a whole to be investing in.

"A more well-rounded path to success in New Zealand would be putting money to productive use – like investing in businesses that are trying to make money globally, rather than trading houses." 📌

How Young People Can Get Ahead

So, how can young people grow their wealth? **Claire Connell** has some tips.

1. Think hard about a student loan

Student loans have financially crippled many of the millennial generation. Think hard before signing up to study that requires a student loan. You might need the qualification to get into your career of choice, or there might be other options. Try to avoid high levels of student debt.



3. Take control of your finances

Track your spending to see where your money's going. Then budget, and ditch any frivolous spending that isn't making you happy. Pay off personal loans and credit card balances – consumer debt is not your friend.



5. Make plans to reach your goals

If you want to buy a house, see a mortgage broker and financial adviser, and make a plan. If you've been saving hard, your reward might come sooner than you think.



7. Get into your own home

Paying off your mortgage is a better use of your money than paying off your landlord's. Rent is dead money, and over the long term having your own home will probably put you in a better place financially.



2. Contribute to KiwiSaver

If you're not contributing to KiwiSaver, you should be. It's the easiest way to get into investing, and the longer you're invested, the better.

4. Start saving

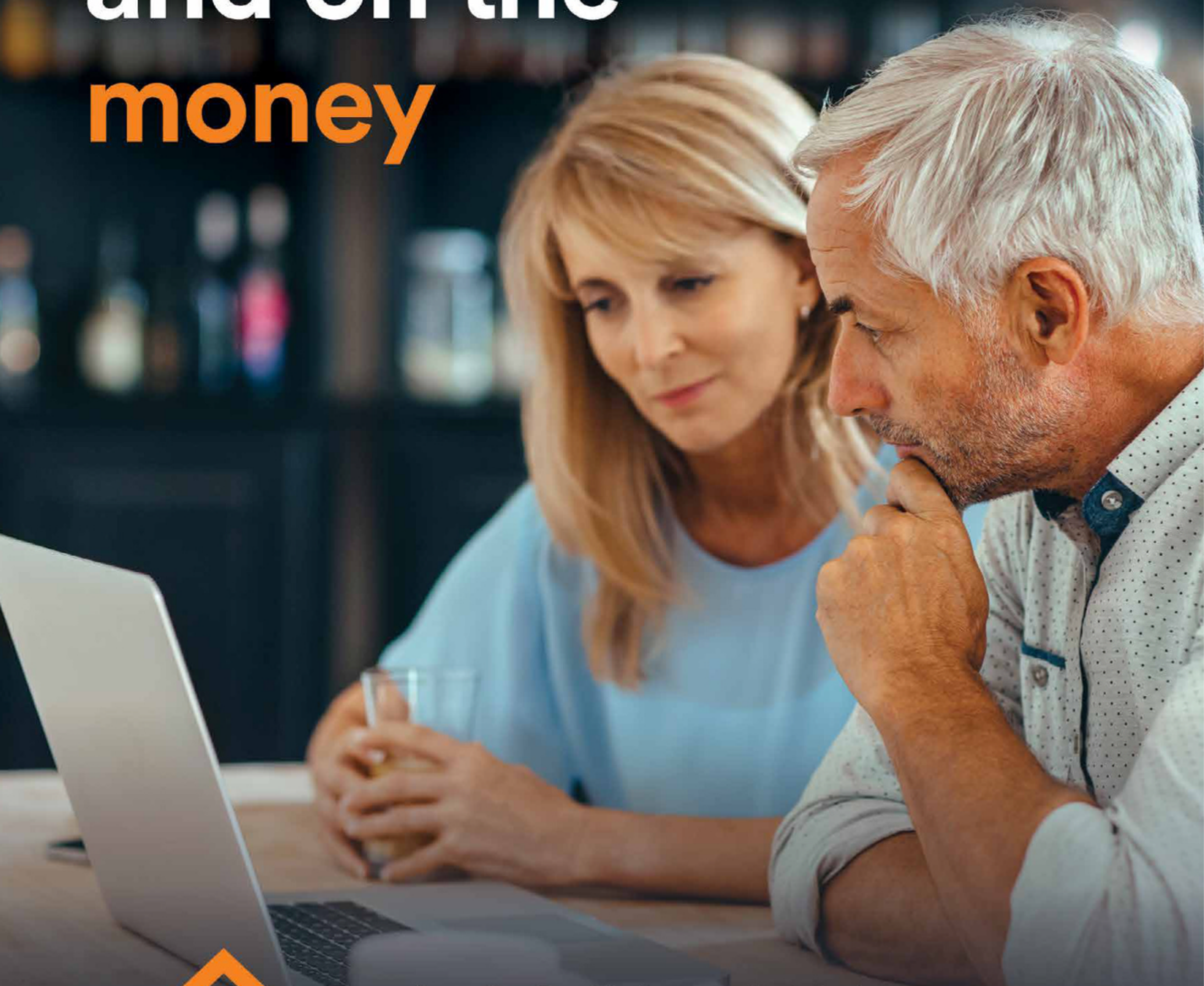
Many people don't have savings and live pay cheque to pay cheque. That won't help you get ahead. Start saving, and start putting money into an emergency fund.



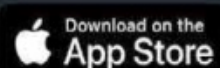
6. Earn more

Two ways to have more money are to save more and earn more. If you've already trimmed the fat off your spending, it's time to build your income. Get a new job that pays more, sell all your unwanted items, or start a side hustle (just do the numbers first).

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The Poverty Trap

Even people with jobs can be doomed to poverty their whole lives, writes **Diana Clement**. But some turn their lives around and build wealth.

Being poor can make you too stressed to think ahead and plan – but it can be overcome, says Massey University professor of societal psychology Darrin Hodgetts.

But he says even understanding the psychology of poverty doesn't always help people come to terms with it.

Hodgetts himself grew up worrying where the next meal would come from, dropped out of school young, and was flirting with the idea of joining the Mongrel Mob.

Luck intervened. A local family took the then 15-year-old under its wing and gave him a job at the family fish-processing business.

The patriarch of the family, a Yugoslav immigrant, taught his young charge a lot about working, citizenship, and how to become a young man.

The right luck

People who escape the poverty trap often simply have the right luck, as he did, says Hodgetts.





As a society we need to find out how we make more of those lucky breaks happen, he adds.

“Poverty is more of a trap now because we have lost our community,” says Hodgetts.

The big difference now is these people are often in poverty alone, which is very frightening.

“With no positive role models around, if you get knocked back, you don’t try as hard the next time,” says Hodgetts.

Those who haven’t experienced poverty often assume that paid employment is the solution.

The reality is that most poor people are in work, says Hodgetts. They just aren’t earning a living wage. Plus, they could have children, or other family members, to support too.

“We need to have a serious conversation about what’s driving poverty. Then we can improve the psychology of people in poverty.”

Some people work out a strategy for success, and turn their lives around. Here are a few of them.

She wrote a budget

When Tamzin Letele was aged 13 or 14, she decided that it was time her single mother stopped living in the red.

Letele’s ‘blue-collar’ parents split when she was young, and she’d always felt overwhelmed by her mother’s overdraft.

An avid reader, young Letele taught herself the basics of money management and wrote a budget for her mother, with all spending up for discussion.

It was the start of a process that saw mother and daughter first, and then Letele and husband Jude buy property.

Letele and Jude now own a portfolio of properties.

Letele, now 32, works as a quantity surveyor, is a mother to three children, and was elected onto the Whangamata Community Board late last year.

Left Massey University professor Darrin Hodgetts says even understanding the psychology of poverty doesn’t always help people come to terms with it.

Above top Tamzin Letele helped her mother budget, then went on to work as a quantity surveyor. Photo: Hays Recruiting Experts Worldwide.

Above Melanie Lemusu learnt the value of budgeting and had a goal of buying a house.



Giving back is part of her reality, knowing how far she has come.

If Letele were to put a finger on what was different between her and others from the same modest background, it's that she was acutely aware of the poverty and developed a purpose as a result.

"I felt it would be hopeless if I didn't get myself financially sorted."

Escaping poverty doesn't necessarily mean building up a huge investment portfolio. It can be as simple as paying down debt and starting to save regularly.

Her goal was a home

Melanie Lemusu grew up in modest circumstances and assumed that would be her future too, but her life changed when she went to work for a bank soon after finishing high school.

It was there she learned the value of budgeting.

She made it her goal to buy a home, which she did when she was living in Australia.

She renovated the property as money became available and later sold it at a profit when she returned to New Zealand.

Through her job in financial services, Lemusu sees too many other Kiwis struggling. Some are focused on making it look like they have material wealth, she says.

She encourages friends and family to live within their means if they want to save.

He found a mentor

Dancing with the Stars competitor Walter Neilands grew up with no food on the table at times. The family resorted to unconventional means to even put diesel in their vehicle.

His break came at 14 when an uncle introduced him to the concept of property ownership.

He took his financial future bull by the horns. Twelve years later, at age 26, he owns three properties. (See page 33 for Walter's story.) 

Where to get help

If you're in financial trouble, what can you do?

Saying people just need to learn how to budget is "quite a demeaning response to some people's very difficult situations," Mental Health Foundation chief executive Shaun Robinson says.

Many are in low-income families, raising children, with high house prices, high living costs, and a long-term debt burden which is hard for people to get out of, Robinson says.

Many low-income people are "preyed upon by scrupulous lenders", leading to a cycle of debt, he says.

Being hounded to repay the debt, with high interest attached, can compound the situation, he says.

But student loans and mortgages affect Kiwis too.

"People are shouldering very large mortgages, and many people's financial situation is quite precarious. It only takes a small downturn in the economy, or redundancy, to bring that house of cards down for many people."

Many people might think they need to visit an expensive financial adviser, something they can't afford.

But through the government's Money Talks website, people in need can access a range of free services, including budgeting advisers.

This is a good first step, if you're struggling with your money.

Five quick tips to start your journey out of poverty

Rob Collins, chief executive of credit union NZCU Auckland, says if you want to get started, try these tips.

"They're simple and everyone knows them," says Collins. "It's just the doing that's hard."

"To quote Yoda from Star Wars: 'There is no try – only do or do not.'"

1. Set a budget which includes some 'fun' money.
2. Stick to the budget, but don't beat yourself up if you have a small 'oops' occasionally.
3. Prioritise your spending to your needs – not other people's.
4. Question everything, and avoid spur-of-the-moment purchases. Take 24 hours to think about whether you really need it or not.
5. Use online buying carefully. Don't get sucked in by 'buy now, pay later', Uber Eats, or other things that seem quick and easy. Check out real deals on the likes of Grab One and Trade Me.

Investors Diversify into Cherries



Investors looking for a lucrative income stream in retirement might want to look at New Zealand horticulture – cherries, in particular.

That was the aim for one Kiwi couple who started investigating opportunities in horticulture five years ago. They've now bought into two Hortinvest cherry developments in Central Otago.

The pair say they wanted to diversify beyond their property investments, to help them live well in retirement.

Two \$15.5m projects

Both NZ\$15.5 million projects, each spanning 80 hectares, have already been backed by cornerstone investors, including the sheep and beef landowners at Lindis Peaks Station and Mt Pisa Station.

Both projects are on track to harvest their first fruit in the summer of 2021-22.

The stations' landowners asked experienced horticulturalists Ross and Sharon Kirk of Hortinvest to develop the projects.

They'd seen the strength of Hortinvest's investor-led development at Tarras Cherry Corp, which will produce its first commercial fruit next summer.

What investors say

The couple who invested to diversify say they've always had an interest in cherries.

"Growing up in Central Otago, I've driven past orchards many times," says husband Andrew. "Even as a child, I knew cherries were a quality product, with our best ones being exported.

"We looked at other corporate cherry investments, but wanted something

where we knew the people growing our cherries.

"The Hortinvest model [which manages all services] is hugely appealing. We like being able to talk directly to Ross and Sharon, see the trees growing, and taste the cherries.

"We've invested in Ross and Sharon's passion and knowledge," Andrew says.

"We have five to 10 years of working life left, and can wait for the cash flow. We understand the risks associated with horticulture, especially with the weather. To split the risk, we've invested in both Central Otago projects.

"We believe the long-term benefits will far outweigh the risks, and we're excited to be associated with the projects," he says.

When do returns start?

Lindis River and Mt Pisa developments are approaching year two, with more planting this winter. Returns are expected to start from year five.

"The New Zealand government has forecast cherry revenue to increase 25 per cent to NZ\$100 million over the next four years," Hortinvest marketing and sales manager Sharon Kirk says.

"Plantings total approximately 800 hectares and the industry is currently producing less than 4,500 tonnes for export.

"With existing and emerging markets and demand far outstripping supply, we believe a real opportunity exists to market more than 10,000 tonnes."

How Hortinvest manages your orchard

Hortinvest's developments are businesses that cover all the bases to get maximum value for the limited partnership.

Investments are used to buy land and trees, to develop and manage the orchard, and then market and sell premium-quality fruit for export.

Apricot orchard

Hortinvest is now planning to release an apricot development, producing premium fruit for export.

Committed cherry investors will be offered the first options, and the company welcomes early expressions of interest.

Projects at a glance:

- Ideal investor: \$1 million plus
- IRR: 20.8-25% first 10 years
- ROI: 34-59 per cent based on 12-18 tonnes per hectare (peak mature production)

Contact

Ross Kirk – Project and orchard manager
027 484 5099
www.hortinvest.nz
invest@hortinvest.nz





How to Choose Good Investments

Don't let decision paralysis hold you back. Learn how to research the right companies to invest in, says **Kristen Lunman** of Hatch.

Anyone wanting to grow their wealth will wrestle with how to choose good investments at some point.

If you're ready to dip your toe in the share market, but aren't sure how to pick a company to back, it can quickly feel overwhelming.

To help, I've put together a few tips you can use when choosing your next investment.

Start with what you know

With share investing, a good place to start is with a company that you know. Think about the brands you buy or a product that everybody loves.

While there are no guarantees with share picking, if you love a brand, and your friends or colleagues do too, then there's a chance the company behind it is successful – or has the potential to be.

When you buy shares, you purchase a personal stake in that company, so you're essentially backing the future of that company.

Look at the company's advantage

Invest in the brands you know, love, and understand.

Think about how the company makes money. A clothing retailer's main business is selling clothes, and a streaming service is a monthly subscription.

Consider if the company has a competitive advantage – ideally, there'll be something about the business that's hard to copy. This could be intellectual property, highly innovative manufacturing, licensing, or

massive distribution reach, among other factors.

Popular consumer companies with brand recognition that command a loyal following can also give a company an edge – the harder it is for competitors to copy the business, the stronger the competitive advantage.

Look into the future

It's important to consider the future, so you can spot potential red flags that might affect a company's ability to grow over many years.

How vital is the current chief executive and their vision? What about emerging competitors? Is there a disruptive technology set to change the industry?

While you're thinking about what lies ahead, you might consider investing in the future you want to see.

Consider innovators trying to pioneer global movements. Of course, there's no crystal ball, so it's essential to do your research and have a long-term frame of mind.

Follow the news

If you don't like scanning the news, set up Google news alerts on the companies you're interested in and their competitors.

The media do a great job of reporting on companies during earnings season. Earnings season refers to the four months of the year (January, April, July, and October) when a company's report card is released to the public.

A company's earnings, or profits, are a good indication of a company's financial health. Growing profits suggest that the business is on the right path to providing a good return for investors.

Short on time? Find what works

Research requires effort, so if time is something you're short on, exchange-traded funds (ETFs) might be a good place to start.

ETFs allow investors to buy a bundle of company shares through a single purchase, without having to have the time needed to pick individual stocks.

ETFs that track market indexes, like the S&P500's offer a stake in the largest 500 companies listed on US share markets.

With hundreds of ETFs available, you can also consider ones closer to your heart, like technology, clean energy, retail and fashion, or gender diversity.

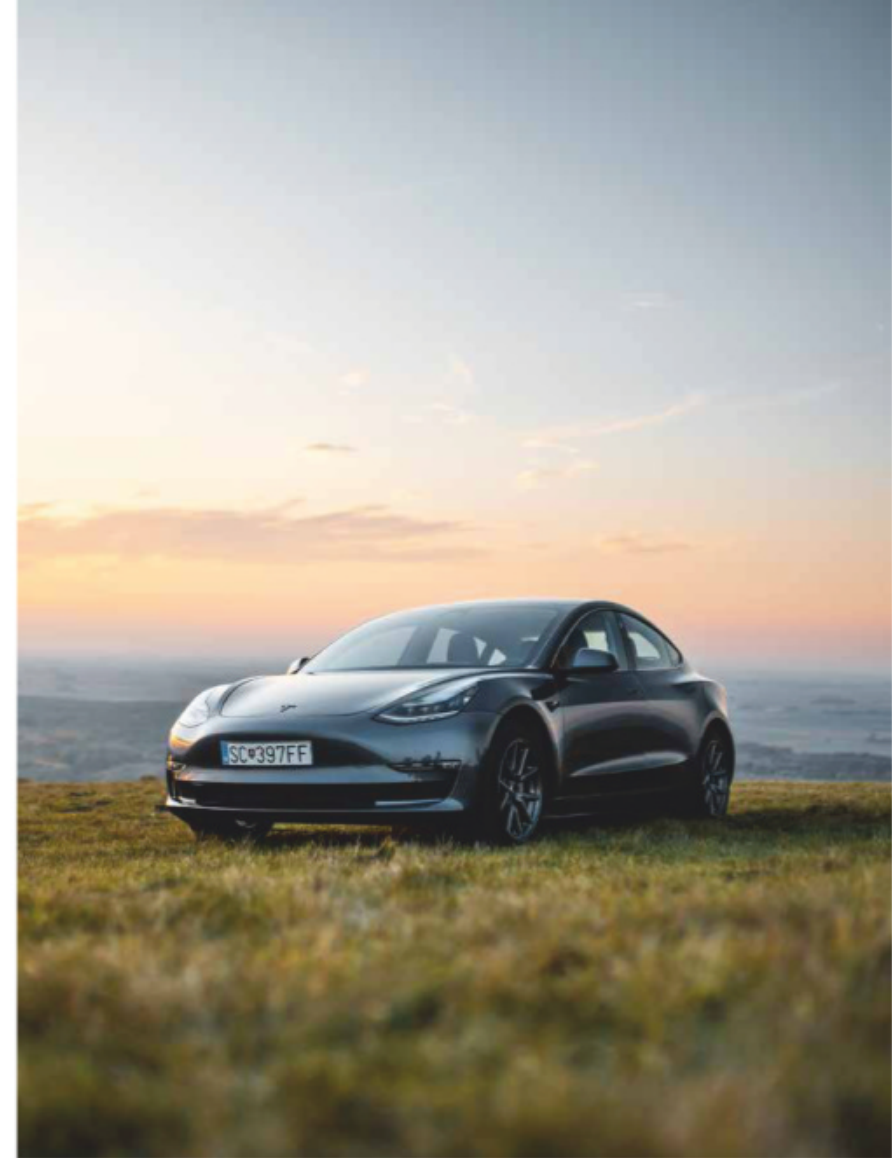
Get off the sidelines

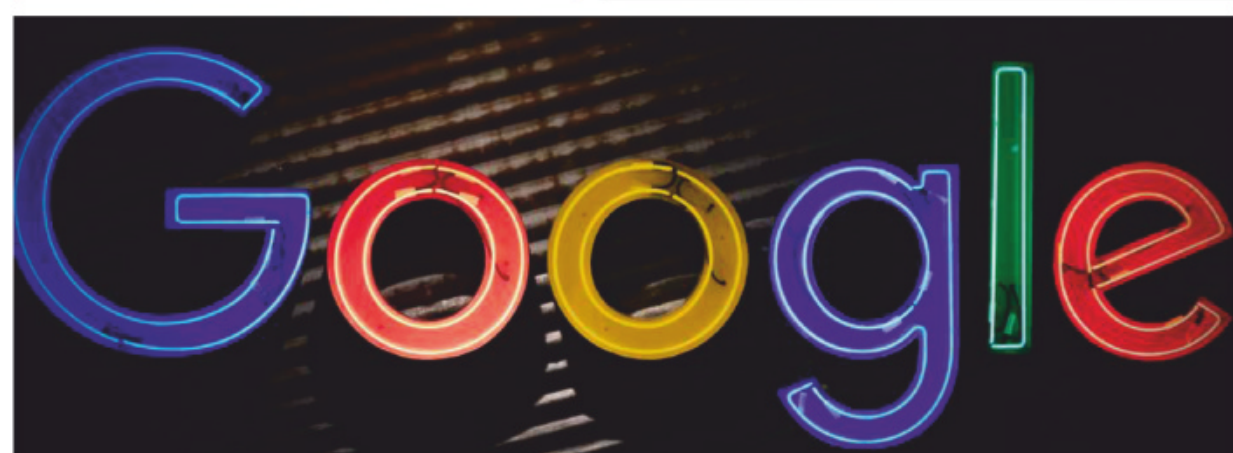
Start by doing something small today.

Watchlist the brands you love, or ETFs in sectors you're familiar with, and when you're ready to invest, you can begin with a small amount, then build your confidence as you go.

Before you invest, you might consider speaking to an independent financial adviser who can help you work out if share investing suits your investing time frame, and risk appetite.

Soon you could be on your way to a strong investing game! 🎯





Julie Rowe, 35, share market investor, entrepreneur, and mum

I'm investing for the long run, because I see it as a way of reaching some of my financial goals.

I'm invested with Hatch, and I've got shares in Tesla, Nvidia, Walt Disney, Levi Strauss, Baidu, and Tencent Music, along with a biotech company and an S&P 500 ETF.

Tesla keeps me on the edge of my seat with its wild fluctuations.

When you're starting out, you might initially consider buying a few shares in areas you're personally interested in. I've found it's a great way to learn.

Then, after you get more comfortable, it's important to learn a bit more about businesses before you invest in them.

Hatch and the US share market

The US share market is the biggest share market in the world and makes up almost half of the total global share value.

Our homes, jobs and most of our investments are in New Zealand, and while we love this country, that's a lot of eggs in one tiny basket.

A smart investment portfolio is a diversified one, and with the Hatch platform, you can invest in the world's most successful companies and recognisable funds.

For the first time, you can easily invest in brands you know and love, and in funds to build an investment portfolio that reflects you and your values.



Side Hustle Success

Side hustles can be an appealing way to boost your income. **Claire Connell** finds out the important things to know about launching your business.

Some of the world's most successful businesses started as side hustles – something on the side that brings in cash, other than your day job.

Take Google, which was created in a US dorm room, during creators Larry Page and Sergey Brin's university years.

Fast-forward 20 or so years, and more and more keen entrepreneurs are using side hustles to test if their ideas are go or no.

Entrepreneurial generations millennials and Gen Zs are largely driving this change in work. The internet has helped too – it's fairly easy to set up a website these days to sell a product.

Matt Kennedy-Good, director of government website business.govt.nz agrees the changing nature of work means people seem to be much more ready to, and need to, take on secondary work.



This could be working as a contractor, for the likes of Uber, or starting the business you've always dreamed of.

If you keep your full-time job, you'll still have income rolling in, and it gives you time to find out if you like running a business. It helps reduce the risk.

"Whether you're trying to get rich, or test an idea that's been bubbling away, side hustles are a great way to learn new skills, build networks, and make extra cash," Kennedy-Good says.

Do your research

Callaghan Innovation's Hamish Mitchell, who helps digital startups commercialise their ideas, says putting in the legwork at the beginning is critical.

Mitchell says these steps are essential for a side hustle or small business:

- Identify the problem that your solution will solve
- Are there enough people who want this solution?
- Does this solution suit a viable business model?

"There are a lot of problems that could be solved, but they might be too expensive to do so, or there isn't a big enough market to benefit from that solution," Mitchell says.

Or, after more development, someone might find a better solution.

Both experts suggest you speak to businesspeople and those who started a side hustle themselves.

Kennedy-Good says a quick Google search can save you.

"Many of us are guilty of this. We get really inspired by an idea and talk to people.

“Then we do the most basic search and see it’s a very common business idea and it’s not original at all. Go into it with a business mind.”

Mitchell agrees. “Validate the idea before you put all your money into web developers or re-mortgage the house.”

Be passionate

Mitchell believes you need to be passionate about the problem you’re trying to solve.

“If you’re not spending your time and energy into an area that energises you, you’ll find it difficult to wake up every day motivated, not only to motivate yourself, but those around you.”

Kennedy-Good says if you aren’t inspired or enjoy what you’re doing, that’s not a good sign.

But he says you don’t necessarily need to be passionate to create a successful side hustle. Hard work, commitment and determination can fill the gaps.

What if it’s not working?

Mitchell says knowing when to call it quits is important, because then you can move on to something else.

Check in regularly to see how you’re doing. Your first solution is rarely your best, or the one you end up running with, Mitchell says. And don’t feel bad if your idea flops.

“Separate business failure from personal failure. Because not every idea will be successful, and not every business will be successful,” Mitchell says.

Kennedy-Good says you can minimise the risk by regularly checking that the numbers add up.

“There are so many inspiring small businesses around New Zealand – people who’ve really made a difference, and created value for their family and their communities,” he says.

“It doesn’t always work out, but there are always lessons to be learnt, and value in taking on something new.”

Kennedy-Good recommends doing your research and mitigating risks.

“So many of the great businesses and success stories have started off as a side hustle.

“New Zealanders are famous for the No. 8 fencing wire, and there’s always room for more innovative businesses.

“As the nature of work changes, if people are interested in getting rich, a side hustle is a pretty good way to go about it.”



Quick tips for a side hustle

Some helpful tips for getting your side hustle finances into tip-top shape:

- You need to pay tax on all your jobs. Make sure you set money aside for tax from every payment, unless you’re exclusively working through a labour hire company that’s paying your withholding tax, or are otherwise having the correct tax deducted at source.
- When you file your tax return, choose the BIC, or Business Industry Classification code of the activity you spend the most time doing. This code, along with your earnings, is what your ACC levy is based on. Talk to ACC about the jobs you’re doing, and the best way to estimate your ACC levies. Then you can set aside the money as you earn it. Be aware that ACC may charge their levy on the activity that attracts the highest levy rate.
- If you expect to earn more than NZ\$60,000 in the next tax year, or you charge GST, you need to register for

GST. That also means you can claim a credit for the GST you pay on most of your business expenses.

- You can claim for the business expenses you incur when you’re working, but make sure you keep great records, and keep all your receipts.
- Tax agents or accountants know all the expenses you can claim for – using one might save you money. Accounting software can help you manage your record-keeping and keep track of tax.
- Many casual workers are sole traders – people trading on their own. As a sole trader, you can get a free New Zealand Business Number (NZBN), a unique identifier available to every business in New Zealand. It could save you time and money by allowing you to share and update your business information with other businesses, including those you do casual work for.

Source: Business.govt.nz

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Side Hustle Now a Career



Zaynah Ahmad left a well-paying corporate role to run her men's skincare business, Vault Elements, full time.

Ahmad, 26, says at heart she's always been an entrepreneur.

"I remember being in art class, but instead of doing art, I was trying to import iPhones into New Zealand.

"I've always been interested in side hustles and the lifestyle of entrepreneurs."

She started strategically, by taking on a job that was more in line with her dream, where she could learn valuable skills she could use later. A process improvement role taught her about the importance of a lean supply chain.

Talking to men among her friends and family, Ahmad discovered a gap in the men's skincare market.

Determined to fill it, in 2017 with a friend, she launched the Vault skincare range, made in Nelson for the "modern man". Products are online and in certain stores.

She worked on Vault Elements part-time at the start, putting in hours before work, working through her lunch break, and sometimes still going at midnight.

It's been a lot of work – learning about importing, dealing with customs, and working with a formulation scientist on the skincare products to create the first large batch.

It was quite a lonely journey as she didn't know any other entrepreneurs, so she worked hard to build up a group of friends who were also entrepreneurs. Their support was vital when she decided to take Vault Elements full time, she says.

"At no other time will I be at a point in my life where I don't have a mortgage, I don't have kids, and I've got a little bit of money saved up, so I want to give it a good go."

Her goals are to take Vault Elements global, starting with the Asian market.

"I'm looking forward to giving it my all.

"You have to find your happiness in what you do – or at least get as close to it as possible."

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'Hard Work But Worth It'



Nicola Squire started her side hustle – as a qualified sleep consultant for young children – about a year ago.

She was already working three days a week on a farm, but wanted extra income because her three kids were getting older.

When her middle child turned out to be a terrible sleeper, Squire had turned to a sleep consultant for help.

When it came to her own side business, she knew she had the right passion and skills.

During her busy periods, she spends about 10 hours a week running the business from home, in addition to working on the farm.

She makes phone calls once her children are in bed at night, and does home visits to clients when her husband is home.

The training was about NZ\$3,000, and since then there have been few expenses.

"It's more than paid for itself now – I'm in the black."

Squire is hoping sleep consulting will eventually become her fulltime job, though she admits she still loves the outdoor aspect of the farm work.

"As much as it's hard work running your

own business, and trying to do everything around your family, you can do it," she says.

"It's really worthwhile. It just takes a bit of organising and being prepared to put the work in."

Her main tips are:

Do your research

"Pick a marketable business, and know that your idea is actually something that's a viable business."

Be interested in it

"Pick something you're interested in and prepared to put the hours into. The constant hustling for new clients is something I didn't realise I'd be doing. There's a lot of work that has to go into marketing yourself and your business."

Engage an accountant

"Put the tax money aside as you get money. You don't want to be hit with a big tax bill at the end of the year."

And learn what you can claim as expenses, too, she says.

Be patient

"It can take a while to build up your business and get new clients. You have to market yourself and form networks." ●

Live the retirement you deserve.



Purpose

You can use a Heartland Reverse Mortgage for almost anything you like to make your lifestyle more comfortable. Common uses include paying for home improvements, travel, upgrading a motor vehicle or just taking the stress out of everyday expenses.

Flexibility

Heartland offers the ability to drawdown funds upfront, receive regular monthly payments or set aside funds for future use. You also have the ability to repay the loan in full or in part, at any time with no penalty.

100% ownership

You retain ownership of your home and you can live in it for as long as you choose.

Repayment

Unlike a standard mortgage, you don't need to make regular repayments (but are free to do so). Instead, the loan, including interest, is repayable when you move permanently from your home, usually when the property is sold.

Protection

Heartland offers significant protection to provide our customers with peace of mind. This includes a guarantee that the amount required to repay the loan will never exceed the net sale proceeds of the property.

To find out more about a Heartland Reverse Mortgage, call us on 0800 488 740 or visit our website at heartland.co.nz.



Heartland Seniors Finance is a division of Heartland Bank Limited. Lending criteria, fees and charges apply.

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— Seniors Finance —



How to ^{Not} ~~Get Rich~~ ^{Poor}

One of the keys to getting rich, and then staying rich, is to protect your capacity to earn while you're on your journey towards wealth, says **Naomi Ballantyne** of Partners Life.

Health interruptions and career hiccups are like the monsters under our beds.

We worry that they might be there, but they remain hidden out of sight and out of mind, until the day when they could leap out unexpectedly to terrify us.

For that moment in time, everything about your normal life stops, and when you recover you can never get that lost time back.

You could be covered by ACC or a Work and Income benefit, or be left relying on your own resources.

If your health stops your ability to do the things that are building your wealth – things like doing your job, running your own business, or managing your investments – then for that period of time rather than building up your future riches, you'll instead be using them up.

It's pure chance that says whether the interruption will be short and therefore sweet, or whether it'll be something that has you hiding under the bedcovers for months – or even years.

Let's look at a few of the types of crisis we deal with in our insurance business.





Rosie's story

'Rosie' has been diagnosed with breast cancer. She's a professional working in a big corporation who recently went back to work fulltime after some parental leave.

She's one of two big earners in a family of four, so they upsized their home and took on a big mortgage when she went back to work fulltime. They also have repayments for two nice European cars to meet.

Suddenly, they had the added stress of medical appointments, an operation, and chemotherapy that's making Rosie feel very unwell. Working just isn't an option for her, for weeks or maybe months.

This family's future is seriously in peril. They're looking at one income-earner out for some time, and possibly no money at all coming in, if her husband needs to become Rosie's caregiver.

What could insurance have done?

Trauma insurance could have taken away a lot of the family's worries.

An adviser could have worked out how much in extra funds the family would need to help weather a storm like this one, and could have organised a trauma policy for the right lump sum amount.



Rod's story

'Rod' is in his late 50s and working for an advertising agency. The agency has lost a couple of key contracts and it's having to cut corners and lay off staff.

Rod's job is safe, but Rod's stress levels have risen to the extent that he's having panic attacks and simply can't manage full-time work.

He's been thinking about his retirement, so he's been putting 10 per cent of his pay into his KiwiSaver account. He also has a rental property in Tauranga that he needs to top up by NZ\$200 a week.

Now he's facing a significant hole in his income, and he'll probably have to sell the rental at a time when the market's not great.

What could insurance have done?

Income protection insurance could have helped cover the shortfall in his income while he recovers, securing his normal earnings, and keeping his investments ticking over until he gets his stress levels under control.

An adviser could have helped Rod choose the income protection product that would give him the best coverage for his dollar, and one which is specific to his stage in life.



Jared's story

'Jared' is 35. He owns his own paint-and-panel shop and is considering launching a second business.

Jared has developed a rare, progressive disorder, which is robbing him of his sight. He started taking the eye drops subsidised by Pharmac, but it's not stopping the damage.

His vision is fading and his specialist has told him he'll soon be legally blind. There's a new drug which is proving to deliver almost miraculous results for his condition, but that drug is not subsidised by Pharmac.

To cover the costs, Jared could sell his home and business. But he's feeling guilty. Instead of the future he's planned, he's facing a choice for his future which could leave him with no assets or no sight.

What could insurance have done?

Some private medical insurance, such as Partners Life's, provides coverage for drugs proven effective and safe, but which are not subsidised by Pharmac.

This means Jared wouldn't have to even think about selling assets to fund the costs of saving his sight.

An adviser could have ensured Jared was offered the option of choosing non-Pharmac coverage.

Help take away the risk

You have lots of plans for your life, but poor health could easily stop you doing what you need to build your wealth, leaving you with a bleak future.

An insurance broker can help you work out how to best protect your income and make a tough time easier to get through.

Important things to think about

- Review any insurances annually. Ensure you only pay for what you need.
- Weigh up the risks – insurances can be expensive and if you're young and without dependents, you might not need as much as someone who is older with children and a partner. Only you can decide what's best for your situation.
- Always read the terms and conditions and other information before signing.

Know exactly what you're covered for – including if any pre-existing conditions or mental health issues are covered. Ask for help if there is anything you're unsure of with your policy.

- Notify your insurer immediately if your circumstances change.
- Be honest about your medical history, pre-existing conditions, and if any health troubles develop during the period of your insurance policy.





How to Save for Retirement

To pay for life after work, most of us will face a money gap after NZ Super. **Brenda Ward** asks the experts how to go about saving for retirement.

Have you worked out how much money you'll need for your retirement lifestyle?

Are you dreaming of a future of exotic travel and a bach by the beach? Or is it sounding more like a bus ticket and camping?

Don't despair. The experts say it's possible for most people to speed up their savings to help them cover the shortfall between NZ Super and the life they want after work.

What's your net worth?

Financial adviser Lisa Dudson of Acumen says the most powerful tool to keep you on track could be as simple as seeing where you're at each year.

"I've worked with a lot of people in their 40s and 50s planning for retirement," she says. "One of the things that I get them to do is something I've been doing myself for about the past 15 years. It's to track net worth.

"That enables me to say, do I need to put my foot on the pedal, or can I relax a wee bit in terms of my spending and saving?"

To calculate your net worth, add together the value of your house, car, and other assets, add your KiwiSaver balance, any other savings and investments. Then subtract any debts or mortgages. It doesn't matter too much what your net worth is, just that it's growing.

"It doesn't matter whether you're starting with a thousand dollars or a million dollars,

just being able to see your progress from year to year is fantastic for awareness, and also incredibly motivating."

How experts can help

For retirement planning, it's good to get expert advice, says Dudson. This phase is all about growing assets that will (eventually) provide you with an income, so you can give up work. A financial adviser can give you strategies to get that nest-egg set up.

They'll also help you spread your investments across a range of asset classes and risk levels, so that if one asset class is down, others should still do well for you. This is called diversification, which helps to spread your risk, and helps to keep your money safer.

Here are some ways to build that nest-egg.

Pay off your mortgage

Paying off your home loan is one of the safest investments.

Says Dudson: "In an ideal world, you want to get to a point of having a home paid for as a minimum, because having a home is compulsory savings."

Financial adviser Martin Hawes points out if you pay it off faster, you'll be saving the interest you're currently paying on your home loan, say 4 per cent.

"To do as well as paying off the mortgage, you'd have to get an investment return of 4 per cent a year, after tax and fees."

YOUR INVESTING

That return would be possible, he says, but probably not risk-free.

Reaching retirement without a mortgage is a very good strategy, as it will reduce your costs in retirement significantly. You'll still have rates and insurance to cover, but no repayments.

Investment property

An investment property can be great for growing your wealth up until you're close to retirement, says Dudson.

If you're happy to accept the responsibility that comes with a rental, like regulations and dealing with potentially painful tenants. Rentals can end up being more trouble than they're worth.

But once the mortgage is paid off, there are probably better ways of investing such a large amount of money, Dudson says.

"The challenge with property from a retirement perspective is that the return on investment of the property reduces as the equity goes up and the mortgage goes down. Also the income received can be quite low and you have limited flexibility and liquidity."

Work and save

There's a tremendous advantage to having two incomes in a family.

When the kids leave home, and the mortgage is paid off, expenses usually drop, and it may be possible for a couple to live on one income and save a good part of the other until they retire.

An increasing number of people are working past 65, meaning they can live on their wages and turn their NZ Super into savings (though you'll be taxed higher on your Super if you're still working).

Every year you work past 65 has two bonuses. One, you're still earning and saving, and two, it's one less year you need to fund using your retirement savings.

Contribute to KiwiSaver

Your KiwiSaver account is a great way to grow your nest-egg. You can invest percentages of 3%, 4%, 6%, 8%, or 10% of your pay. Your employer will put in 3 per cent, and you'll get a government bonus too, if you're contributing enough.

Need to build up your money faster? Try increasing your percentage every year.

Fixed interest

For many years, Kiwis used to put their money in bank term deposits for



overlapping terms. But Pie Funds wealth adviser Simon Hepple says this might not be a good idea now, because of inflation.

"If you've got a term deposit paying you 2.8 per cent, strip the tax out of it and you might be left with just a little over 2 per cent. That's what the official rate of inflation is. That means your money's actually earning you a zero return."

If you're considering a term deposit, do your research, because rates vary a lot.

Use your home

After paying a mortgage most of their life, many people end up with a lot of equity locked in their homes. They're asset-rich but cash-poor.

You could rent out part of your house on Airbnb, or take in a flatmate or a student.

Or some people plan to downsize to a cheaper house to free up savings.

Reverse mortgages

Dudson says if you spend your retirement savings too early a 'home-equity release' or reverse mortgage is a great back-up plan.

It's like redrawing the money invested in your own home – and you can live in the house as long as you like.

Heartland Bank's Andrew Ford says: "A reverse mortgage is just like a standard mortgage, but you have no regular payments, you get greater protection and more flexibility.

"Interest is added monthly and repaid when the property is sold, or the last owner dies."

Simon Hepple is a wealth adviser for Pie Funds. His disclosure statement is available free of charge at www.piefunds.co.nz.

Now that you know how to save a nest-egg, what's the best way to earn a living from it? See the next issue of JUNO for how to get an income in retirement. ●

Enjoy Life in Retirement

If you own your own home, using a reverse mortgage to release some of the equity in it could ease your money worries in later life.



For many people, the family home is special. It's the house they worked hard to buy, and where happy memories are found.

The problem arises when people want to stay living in their homes, but struggle to pay for the things they need or want.

That's where reverse mortgages come in. Heartland Bank's Head of Retail, Andrew Ford, says the bank launched a reverse mortgage to help Kiwis release untapped equity from their homes.

Juno Editor, Brenda Ward, spoke with Ford to discuss reverse mortgages.

What is a reverse mortgage?

A reverse mortgage is just like a regular mortgage except it's been designed for the needs of seniors to have no regular repayments, increased protection, and greater flexibility, Ford says.

The homeowner can draw back some of the capital in their house while they stay living in it.

"Instead of making regular payments, interest is compounded and added to the loan monthly. The loan is repaid, including the interest, when the property is sold or the borrower moves out of the home," says Ford.

"A reverse mortgage takes people that were really struggling to get by and

thought they had no options, and helps them live a comfortable retirement.

"Many people find even releasing just a modest amount from their home can be transformational. Even just taking the stress out of everyday bills can give people real peace of mind."

How are customers protected?

A lifetime occupancy guarantee. The customer's home will remain their place to live for as long as they choose.

A 'no negative equity' guarantee. The amount required to repay the loan can never exceed the net sales proceeds of the property. The customer can also protect a proportion of the equity to provide additional peace of mind.

No repayments while you live in the home. There is no requirement to make repayments until the end of the loan, but customers have the flexibility to make repayments at any time, if they choose.

Informed decision. Heartland's application process includes mandatory independent legal advice, a family discussion considering alternative options, like downsizing, and projections showing the loan over time.

It's flexible. There are multiple drawdown options and customers can repay the loan in full or in part at any time, without penalty.

What's the catch?

Customers must keep the house maintained and insured, and pay the rates, says Ford.

Your home needs to be mortgage free, and a reverse mortgage has a higher rate of interest than a regular mortgage.

Depending on the amount borrowed and house prices going up or down, this may result in a reduction in equity, says Ford.

"This can have an impact on children's inheritance, which is one of the reasons we encourage a family discussion."

Contact Heartland Bank to find out if a reverse mortgage is a good option for you. Call 0800 488 740 or go to www.heartland.co.nz.

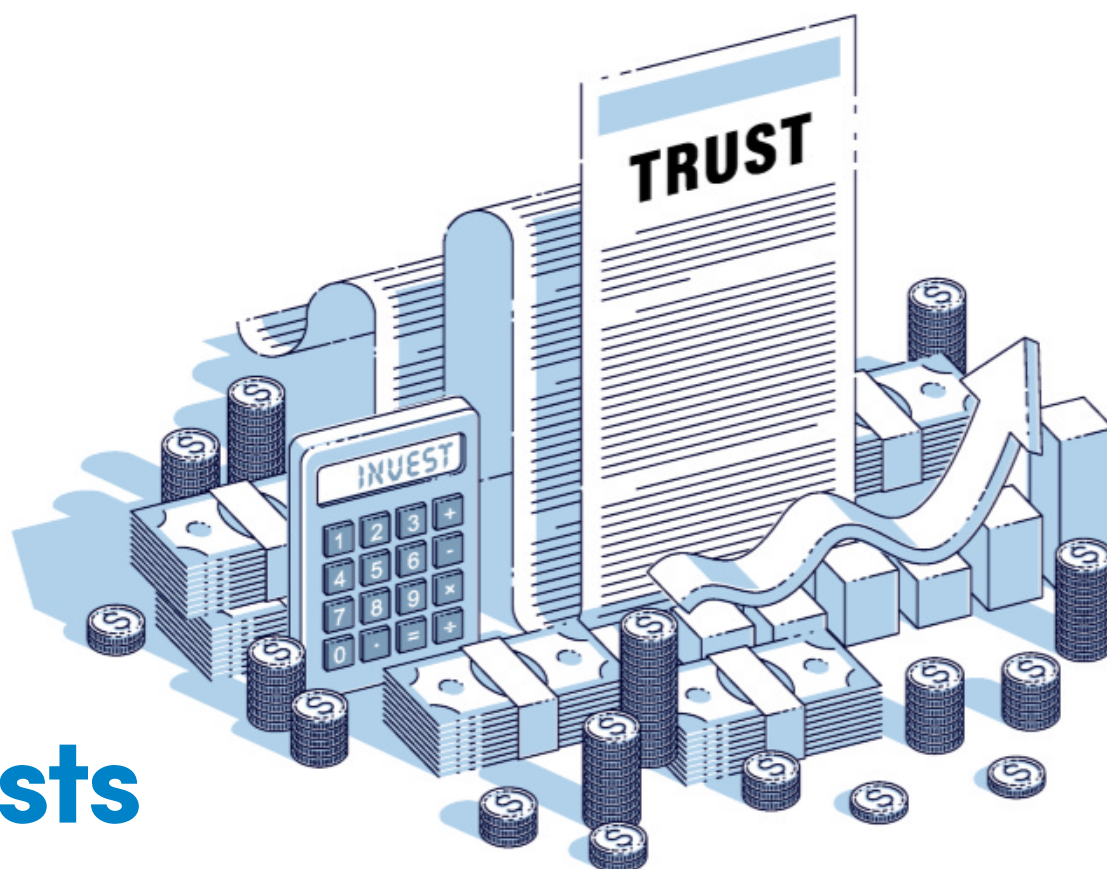
Hot tips

- Speak to your family first
- Only borrow what you need
- Ensure you are protected with lifetime occupancy
- Insist on having the flexibility to repay the loan at any time.

Heartland Seniors Finance is a division of Heartland Bank Limited. Lending criteria, fees and charges apply.



Prepare for Changes in Trusts



If you have a family trust, there are important changes coming that might affect you, writes **Monique Mackie** of AlexanderDorrington.

There are some big changes coming to the trust landscape in New Zealand next year, due to the introduction of the Trusts Act 2019.

This means if you have a trust, you'll want to spend this year looking into changes that take effect at the end of January next year, to make sure you're prepared for them.

The aim of the new Act is to make administering trusts more transparent for beneficiaries. And it gives trustees statutory duties and liabilities.

There is some alarm about the new reforms.

Commentators suggest they might lead to some trustees giving up their roles. Some people might decide to wind up their trusts completely.

And people who didn't know before might now discover they're beneficiaries of a trust.

What you need to know

Changes mean trustees will now have to keep core trust documents. It's possible that many trusts, particularly older ones, don't have a complete set of trust records somewhere.

This needs to be fixed by 30 January 2021, or your trust will be in breach of the Act.

Trustees will be obliged to give 'basic trust information' to every beneficiary. This is defined as:

- the fact that the person is a beneficiary of the trust;
- name and contact details of the trustees;
- details of any retirements and appointments of trustees, plus updated contact information for those trustees;
- the fact that the beneficiary can request a copy of the terms of the trust or trust information.

Things to consider

To decide whether or not to give the beneficiary copies of trust documents and more detailed information, the trustees must consider these questions:

- What's the likelihood of the beneficiary receiving trust property in the future?
- Is the information subject to personal or commercial confidentiality?
- At the time the trust was set up, did the settlor intend the beneficiaries to be given information?
- The age and circumstances of each beneficiary;
- What will be the effect on the beneficiary of receiving the information?
- How will the trustees, other beneficiaries and third parties be affected by receiving the information?
- Will relationships within the family be affected?

Trustees might not want beneficiaries to even have a copy of the trust deed as they can then see who the other beneficiaries are (or which family members have been left out). This could cause conflict.

If beneficiaries request financial statements they can become aware of the value of the trust fund. This could put pressure on trustees to make a distribution in their favour.

There's a change in dispute resolutions

In the past, disputes had to be decided by the High Court, but it's now possible for alternative dispute resolution and arbitration to be used to settle issues.

Trustees can also now be liable for gross negligence under the Act. They can't contract out of this risk.

There's also now a maximum time period for a trust to last – 125 years.

What you might need to do

Before the changes come into effect, many trustees have a lot of work to do to make sure they hold all trust records.

We're starting trust reviews for all our trust clients early this year, to make sure they comply with the Act.

This is a good chance to make any changes to trust arrangements, and take a look at the pool of beneficiaries.



5
Trophies
12
Gold Medals
FIVE CONSECUTIVE VINTAGES

RUA Pinot Noir
cherries | spices | lush

Praise for RUA Pinot Noir

James Suckling, Oct 2019

“... very plump, plush and approachable...
ripe cherry flesh. Drink now.”

91 POINTS

AVAILABLE AT LEADING RETAIL OUTLETS





Change the World With Your KiwiSaver

It is possible to see your money grow and do good, too. Many KiwiSaver providers offer ethical or socially responsible options. **Claire Connell** gives you the tools you need to align your KiwiSaver provider with your values.

You can help create social change – just look at where your KiwiSaver money's invested.

Many Kiwis, especially younger people, are becoming more interested in the types of companies their money's invested in.

You might want your money invested in companies that align with your values – perhaps they make an environmentally friendly product, or look after the staff at their factories well.

Or maybe you just want to avoid investing in things you're concerned about or don't agree with, like weapons or fossil fuels.

So, if you're someone who cares about where your money's invested, how can you find a KiwiSaver provider that suits you?

Check your current provider

If you're a KiwiSaver member, you can find out which companies your money's invested in. This information may be on your KiwiSaver provider's website. If you can't find the list, call your provider and ask for a breakdown.

Ask for your provider's ESG or environmental, social, and governance policy, if they have one. The ESG policy outlines how your provider considers these factors when it picks investments.

The policy should also explain why your provider believes ESG is important and the benefits it has for you.

Review this every six months or year, as the companies often change. Media exposure and social pressure can also affect what KiwiSaver providers invest in.

Use independent sources

- Sorted.org.nz's Smart Investor tool

shows you the top 10 investments of every fund. Just search the fund your KiwiSaver money's in, and it will bring up a list. You can also download the full list of investments. You can view any ESG policies this way – they're filed under 'Key Documents'. Keep in mind these won't be up-to-date to the day you visit, but will be the most recent update your provider has filed.

- Mindfulmoney.nz also shows you what your fund's invested in. There's a tool that helps you find a fund that suits you, based on how you feel about things like investing in palm oil, weapons, or fossil fuels.
- Bettersaver.co.nz scores funds within the KiwiSaver space, and can be used as a guide.

Check the performance

The main reason you've invested your money, rather than put it in a savings account, is that you want to make returns on it. Research has shown that funds can invest responsibly and still make good returns.

If you've found a fund which suits your values, do your research. Look at the fund performance over long periods, five years or more, rather than short periods (although you won't be able to do this for newer providers).

Providers might advertise how good their returns have been over a quarter, or over a year, but it's long-term returns that really count. You might want to support companies you believe in, but you probably don't want to be losing money over the long term either.

A pattern of good performance gives you some confidence, but be warned: it may not continue. However, a long period of underperformance may be a clear sign you should look for a provider that can do better – especially if similar funds have done okay over the same time.

Check the fees

All KiwiSaver providers charge a fee for managing your money. Some providers charge higher fees for funds that focus on socially responsible investing. Check the fees you're charged and make sure you're happy with what you're getting in return.

Follow the media

New Zealand's media can be a good guide to topical issues in the KiwiSaver investment world, and follow what Kiwis are passionate about.

In 2016, the media exposed many KiwiSaver providers who were investing Kiwis' money in companies making cluster bombs, landmines, weapons, and tobacco. As a result, many providers withdrew these investments, and there were changes in the KiwiSaver industry around socially responsible investing.

After the Christchurch mosque shooting in March 2019, KiwiSaver providers that invest in firearms were in the spotlight.

In August 2019, the NZ Superannuation Fund – which has a very good overall reputation for the thoroughness of its approach to ESG investing – was in the news after a video was released showing rough handling of calves on one of the farms it owns.

This shows how easy it is for these issues to become problems for even the most careful investors. 📌



UNFILTERED

Game-changer series
with Jake Millar

**Five Minutes with
Brendan Lindsay**

Founder of Sistema Plastics

Brendan Lindsay is the millionaire behind Sistema Plastics, which was bought by US conglomerate Newell Brands for NZ\$660 million in 2016.

Sistema was started by Lindsay out of his garage in Cambridge 30 years ago as a small business selling coat hangers. The Klip IT plastic containers he made became so popular they're now exported to more than 80 countries.

Sistema has more than 700 staff in New Zealand, over 800 staff globally, millions of customers, runaway growth and a turnover in the hundreds of millions.

The Sistema warehouse near Auckland Airport is one of the largest and most advanced manufacturing facilities in New Zealand.

“I left school when I was 15 with no School Certificate and zero prospects. My father used to say to me, ‘You’ll end up on a park bench with a newspaper over you’.”

More than 800 staff around the world... it's a pretty big team.

We've got a really great record at Sistema. We hardly lose a staff member. We've got people who stay with us for years and years. We treat our business as a family, so when you join Sistema, you become part of a family. The challenge of keeping your staffers actually goes away when you've got growth like we have, because everybody has a chance to be motivated, but everybody has a chance for new opportunities.

What makes your people want to stay?

Our culture is unusual, because I believe in the 10 kicks to one pat, rather than the other way around. The modern way of employing staff now is to pat them and tell them how wonderful they are all the time. At Sistema, we believe when we give you a job, we pay you to come and do a job. We expect you to do it and we don't pat you for doing it, but we do kick you if you don't do it right. Everybody likes to know where the boundaries are.

How do you work towards the culture you want to achieve?

It's up to me and the senior managers in the business to constantly reinforce what our business stands for and what our mission statement is, rather than writing it in an employees' handbook. I think that once you achieve that and you get people around you who have that same philosophy of how they want to deal with things, mission statements only become a reinforcement about what the business is about.

What were you like as a school kid?

I left school when I was 15 with no School Certificate and zero prospects. My father used to say to me, “You’ll end up on a park bench with a newspaper over you.” I can't spell, so I was always behind everybody else. Even today, I find it very difficult

to write things down, and I find it very difficult reading, to be honest.

When young people come to you and say, “Should I go to university?”, what do you say?

Absolutely. I often think back, if I had an education, how quickly I would have been able to reach my goals, but I always held back because of my lack of education.

I'm an exception to the rule. I'm not the rule and I should not be held up as being an example.

How did Sistema start?

I originally started making plastic coat hangers. But I went to the Bledisloe Cup in Sydney and I was having a drink in a pub with an American guy. This fellow came to stay with me and my wife and kids. He was in the drink bottle business in America and he said, “You've got to get into children's drink bottles. There's a fortune to be made.” I jumped on a plane, spent a couple of days with him in Dallas and came back and started Sistema.

Making a product in New Zealand is not very common now.

When I first started, there was a lot of manufacturing in New Zealand. Unfortunately, the market has now disappeared because manufacturing has gone offshore, just about everything. When I bought my first moulding machine, I paid 28 per cent interest on that and I got that money from the Development Finance Corporation in Hamilton. I had to beg for a loan – and I was paying 28 per cent. So, my original machine cost me NZ\$46,000 and by the time I had paid it off as fast I possibly could, I was in for over NZ\$100,000.

If you want to start manufacturing today and you can borrow money at 4 per cent, you go figure.

I know you're very big on building long-term relationships with suppliers and retailers. What does that look like?

You cannot beat personal contact. I fly to America, go to Dallas and I go and talk to Container Store. That sticks in their mind forever because they just met somebody that's flown halfway around the world to see them. You've already halfway crossed the line because the passion and enthusiasm of coming all that way gets you an ear.

What are your two or three top tips for exporters in New Zealand going out into the world?

If I was going to have a relationship with somebody, I had to be sure that that partner that I was dealing with had the same set of rules that I play by: that your word's your word, your bond's your bond, you shake hands, the deal is done – and are you going to be committed to me as much as I'm committed to the business?

You don't build a house by putting a roof on and then build it up. You build the foundations and the foundations are those people that are working on the factory floor.

What are the biggest lessons you've learned from your father?

The simple things, like your word's your bond. You're a long time dead, aren't you? There's only one thing you can take with you when you go. You can't take the money. You can only take your reputation, and I'm hoping that when I'm gone, people will look back and say, “God, that guy was hard to work for at times, but at least I knew where I stood. I respected him because he always told me if I mucked up.” ●

***To see the full interview, go to unfiltered.tv**



Overnight Millionaire

Selling your own business can be the fastest way to make your fortune – or leave you with a sour taste in your mouth. PwC's **Karl Dwight** says you only get one chance to get it right. Make it count.

Entrepreneurs are some of the most passionate people in the world. When they sell, they might get a few thousand dollars for all their years of work – or many millions of dollars.

But there are a few simple things you can do to make sure you walk away with a smile on your face.

First, don't underestimate the emotional side of selling. It can be very distracting and takes up a lot of brain space.

Don't let your business slip while you're dreaming of a big pay day.

Try to focus on the business performing at its best, while you get it ready to sell.

First impressions count

Selling a business is a bit like selling a house. You only get one chance to make a good first impression.

The sale might be unexpected. I have clients who've come back from holiday and decided they've just had enough.

That's why I tell people to act as if the business is always for sale – and to get their

house in order, with no skeletons (or baches or boats) in the closet.

By keeping your business records squeaky clean, having good systems, paying tax on time and having great relationships with clients and suppliers, you can always be sure your books are in good shape.

There are two aspects to every sale: price and terms. Maximise both, because a million-dollar deal with terrible terms may not be the best deal.

It takes time

It can take anywhere up to 12 months, or even longer, to sell. Don't be rushed.

Make sure contracts with key customers and buyers are up to date, and that employment agreements and the building lease are all current.

Have a management team who can go with the business, and set up systems and processes that don't rely on you.

Protect brands, and license or trademark intellectual property.

Have believable financial projections and



be ready to explain any unusual ups and downs of the business.

‘Normal’ profit

I always recommend sellers present the financials of a business showing the ‘normal’ level of profit a new owner should expect to receive.

They will show what the profit would be if you and your partner hadn’t travelled to Europe ‘on the business’, or if you hadn’t invested thousands on a website that failed.

Alternatively, you might say: “Without me in the business, you’re going to need a chief executive.”

In that case you’ll add costs into the business.

I never recommend clients give warranties for the financial projections, because when you sell a business, you no longer have control of its growth, and you shouldn’t be responsible for any drop in performance.

Who are you selling to?

Who’s your buyer? If you’re smart, you’ll already know, and you could have been courting them for years.

Work out what will appeal to buyers. Ask yourself what would concern you, if you were a buyer, and sort out those things before you go to market.

All or part?

Many successful, fast-growing businesses sell just a part of their business, to fund growth, or bring a new partner on board. Or they may sell a majority share, say to a private equity firm.

By selling only part of it, they can be rewarded for their hard work but still have a chance to enjoy the ongoing growth of the company.

Or maybe you want a 100 per cent sale.

Shares or assets?

If you’re selling shares, in many instances they will be treated as a capital gain.

If you’re selling assets, the agreement will often set out the values for the assets and goodwill. Any depreciation recovered is likely to be taxable.

Tax structuring shouldn’t drive a business sale, but equally, managing your tax

exposure can have a meaningful impact on the ultimate value you receive.

The amount of warranties you’ll need to give will also depend on whether or not you’re entering into a share or asset deal.

Get good advice

Good advice is therefore critical, so assemble your dream team. First, get a good lawyer who has sold businesses before.

Financial advisers, tax, and the structuring of the deal are all important too, because there are consequences for getting it wrong.

Multiple bidders

You’re likely to be able to get a better price and terms if you have several people keen to buy your business, just as you would at a house auction.

If you need the deal to be private, consider offering a strategic buyer the first opportunity to buy.

If they don’t play ball, take it to market and look for the best price.

Use trusted mentors who can give you an objective view. **1**

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Business Vision

Kiwi companies are coming up with some innovative solutions. **Claire Connell** showcases some that are working smarter to bring you business that inspires.



Edible Cups Take Flight

Imagine drinking your coffee, then munching on the cup it came in. This could be the future when you travel on an Air New Zealand plane.

The airline has launched a trial, trading compostable hot drink cups for a new, edible biscuit cup to help reduce waste.

The edible cups are made in New Zealand by a company named twice. It makes the vanilla-flavoured biscuit base from flour, sugar, and egg.

The cups aren't gluten-free, but they say this could be an option in the future as more research is done around options, and scalability.

Air New Zealand's Niki Chave says: "The cups have been a big hit with the customers who have used them, and we've also been using the cups as dessert bowls."

Customers are also encouraged to bring their own reusable cups on board flights and into lounges. Air New Zealand serves more than 8 million cups of coffee every year.

Put Bad Habits in the Bin

Corporate bins have been given an overhaul.

Steve and India Korner started award-winning company Method to encourage improvements around waste and recycling efforts. The company's colour-coding makes the 60-litre bins easier to use.

Method bins are used by Te Papa, Westpac, University of Auckland, Xero, New Zealand Trade and Enterprise, Bank of New Zealand, airports, and more.

Businesses are encouraged to speak to their waste provider and to take another look at their service. Does it process glass recycling and organic waste, too?

"Method is more than swapping out bins," founder Steve Korner says.

"It's helping organisations to take a better look at their waste and recycling practices,

and seeing where they can improve their processes to have a significant impact."

As well as offices in Auckland, Wellington and Sydney, the growing company has a team of four in London.

Method's also a certified B Corp, meaning the company meets the highest standards of social and environmental performance.



That's a Wrap

An innovative Kiwi company is changing the way we use plastic packaging. Compostic has made a new type of food wrap that breaks down in home composts.

Kiwi entrepreneur Jon Reed did a lot of research and product development before launching the product, alongside other founders. The food wrap and their compostable bags have already been a hit with early adopters.

The products include plant-based polymers and break down in a home compost in about six months – or three months in a commercial composting facility.

Reed says we need to change the way we manage waste, and look at better options.

"Over 45 per cent of household waste is organic and should be composted rather than sent to landfill," he says.

"We don't get that message from food because we have always managed our food waste the same way, but with innovative products like ours, we can influence people to question the system, and then drive change.

"This is a long and difficult journey, but it's the way the world has to move."

Compostic products are available from Huckleberry's online store.





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And it's simply this: for the best advice talk to your insurance broker or adviser. That's because for many businesses, knowing and understanding the type of insurance needed is not always obvious. Your

broker or adviser can assess your business risks and provide expert, independent advice on the cover you need. Then they will assist you in putting those insurance arrangements in place.

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Make Money in Property

You don't have to be rich to invest in property, but property just could make you rich, says **Amy Hamilton Chadwick**.

Take a look at *NBR's* 2019 Rich List, and you'll notice that property is responsible for a massive chunk of wealth.

Eight of the Kiwis in the top 25 made their money from property, including New Zealand's newest billionaire, Sir Bob Jones.

But even with just a few dollars to invest, you might be able to use property to help grow your wealth over the long term.

Here are some of the ways to invest in property – could one of these work for you?

Buy a rental

How it works: You can buy a property and rent it out – managing it yourself or using a professional property manager. This could earn you money in two ways: rent, plus any gains in the value of the property over time.

“The classic New Zealand approach has been direct investment in residential housing, and for two or three decades it's been an absolute crowd-pleaser,” says Joseph Darby, authorised financial adviser and chief executive of Milestone Direct.



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“But things are changing, and no one really expects the next 20 or so years to be as good as the past 20 in terms of returns.”

Upsides: Banks will lend up to 70 per cent on residential investment property, allowing you to leverage your money into greater returns. Property values tend to rise over time, demand for investment property is strong and your returns are likely to be better than your term deposit or savings account.

With direct residential investment, you can also add significant value through renovation.

Be prepared: You need to take full responsibility for your investment and your role as a landlord. Even if you employ a property manager, the buck stops with you when it comes to all the maintenance and costs. Some tenants can be a real nightmare, too.

It's tough to find cashflow-positive properties, so you may be paying out more than you earn while you wait for rents to rise. And values can always go down, too.

Cash down: Potentially none, if you can borrow the deposit from the equity in your home. You'll still need to service that additional debt and meet bank requirements, plus pay transaction costs, but you may be able to buy a rental without a huge amount of cash.

Best for: “Homeowners who have equity or first-time buyers who can't afford to buy in the area where they want to live,” Darby recommends.

“You have to be prepared for the stress of maintaining the property and looking after the tenants. But rentals should be one piece of your overall investment puzzle, not the sole wealth generator.”

Buy a commercial property

How it works: You could buy a commercial property and get a business tenant – an office, shop or warehouse, for instance. You could get income from the rent, and from increases in the property's value over time.

Upsides: A well-located commercial property with good tenants could provide excellent returns and you can leverage your money.

You and the tenant agree the terms of the lease – there's no dealing with the tenancy regulations faced by private landlords.



Be prepared: Good commercial buildings in the price range that people can afford are highly sought-after, which pushes up prices.

Roughly speaking, in Auckland, that's the sub-NZ\$4 million range, while in the rest of New Zealand it's the sub-NZ\$3 million range. Vacancies are also much more of a problem than in the residential market, and things like extensive long-term road works in an area can have a big impact on retail buildings.

“Commercial is awesome, but it's changing a lot. The risk is that the average mum-and-dad investor will have a budget that's too small to get something worthwhile,” says Darby.

“They might buy something in an area in a decline, like a small retail unit or office which might not have much of a value proposition in years to come, as widespread trends make these less desirable.”

Cash down: The deposit required will vary depending on the income, but might typically be between 20 per cent and 40 per cent.

If you have a large amount of equity in your

home or other properties, you could possibly draw down enough to create a deposit.

Best for: “A business owner who can buy a building instead of paying rent, or for experienced and well-capitalised property investors looking to take the next step,” says Darby.

Invest in a syndicate

How it works: You pay money into a pool that buys properties. You own a number of units or shares.

The money you get back is your proportion of the rental income after all the costs have been paid.

Upsides: You can buy higher-value commercial buildings with more prestigious tenants and better returns compared to trying to do it on your own.

It's hands-off when it comes to management, so you don't have responsibility for the tenants. Both your risks and your returns are shared with your fellow syndicate members.

Be prepared: In general, it's harder to sell your share in a syndicate than it is to sell

YOUR INVESTING

a single property or shares, so know how you might get out before you get in.

Also, choose your syndicate carefully, as a few have proved to be less than scrupulous in the past, warns Darby.

You may need to put in additional money for debt or maintenance. Fees can vary – they're often high and may keep rising.

Cash down: The cost of a single unit in a property syndicate varies, but might be NZ\$50,000. Some funds accept minimum investments starting as low as NZ\$10,000.

Best for: "Someone who's in the industry and who knows all the players and the risks," says Darby.

"Liquidity is a huge issue. And you need to know what happens if it goes wrong, for instance, if it turns out to be a leaky building and more capital is required."

Invest in property shares

How it works: You buy shares in a company that owns property, or a managed fund that specialises in property, or an exchange-traded fund (ETF) that tracks property companies.

Your gains come both from dividends while you own the shares, and from any gains in value when you sell them.

"You can buy all over the world, in all types of property, and you get diversification," Darby says.

"You can get all those advantages with little risk compared to a direct investment, and no responsibility."

Upsides: It's simple – there are no late-night phone calls about burst pipes, no troublesome tenants, no additional fees.

You can buy and sell online almost instantly; transaction costs are now very low, thanks to online share-trading platforms. Over the long term, say 10 years or longer, the value of the share market generally rises, and returns can be solid.

Be prepared: The share market is volatile, and the value of your investment may go down as well as up.

You can't easily borrow to buy shares like you can to buy property, so you'll need to find the money to invest.

Shares are usually best as a long-term investment – 10 years or more.

If you buy shares in an individual company and it gets into trouble, the value of your shares may be decimated. Diversifying across a range of different funds and companies can help reduce this risk.

A financial adviser can help work out what property shares, if any, are best for your personal finance situation and risk tolerance.

Cash down: There is no minimum investment. Investing regularly over time helps to smooth out the ups and downs of the market.

Best for: "It's probably the simplest, diversified and probably low-risk way to invest in property for most New Zealanders," says Darby.

"A little bit of money can really build up."

Need help choosing the right type of property investment to grow your wealth? Everyone's circumstances are different, so talk to an independent, authorised financial adviser about your situation. ●

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Who's to Blame for the Auckland Housing Crisis?

Crisis, what crisis? Property commentator **Ashley Church** explores some of the myths around the housing crisis, and comes up with a surprising culprit.

Ask an Aucklander who, or what, is responsible for the Auckland housing crisis and you'll get a range of different opinions.

"It's the greedy baby boomers," one will claim.

"No, it's poor policy decisions by successive governments," will claim another.

"Nonsense," will claim a third. "It's the combination of wages falling behind house prices and wealthy foreign investors coming in and buying up our homes."

Others will claim that the housing crisis can be traced back to immigration, the economy, interest rates, and a host of other causes. So, who's right?

The answer to that depends on what we mean by 'housing crisis'.

What's the housing crisis?

Believe it or not, there's quite a range of views on what the crisis actually is, and we can't identify a culprit until we know what crime has been committed.

One of the two most common views is that the crisis is one of 'supply', and is characterised by a shortage of housing and a desperate need to build another 100,000 houses right away.

The other is that the crisis is one of 'affordability' and is characterised by the ever-increasing difficulty of being able to afford to buy a home in Auckland.

The first of these – that we're short 100,000 homes – was once an almost universally accepted mantra. But better research over the past couple of years has suggested that we've actually been building more than enough homes.

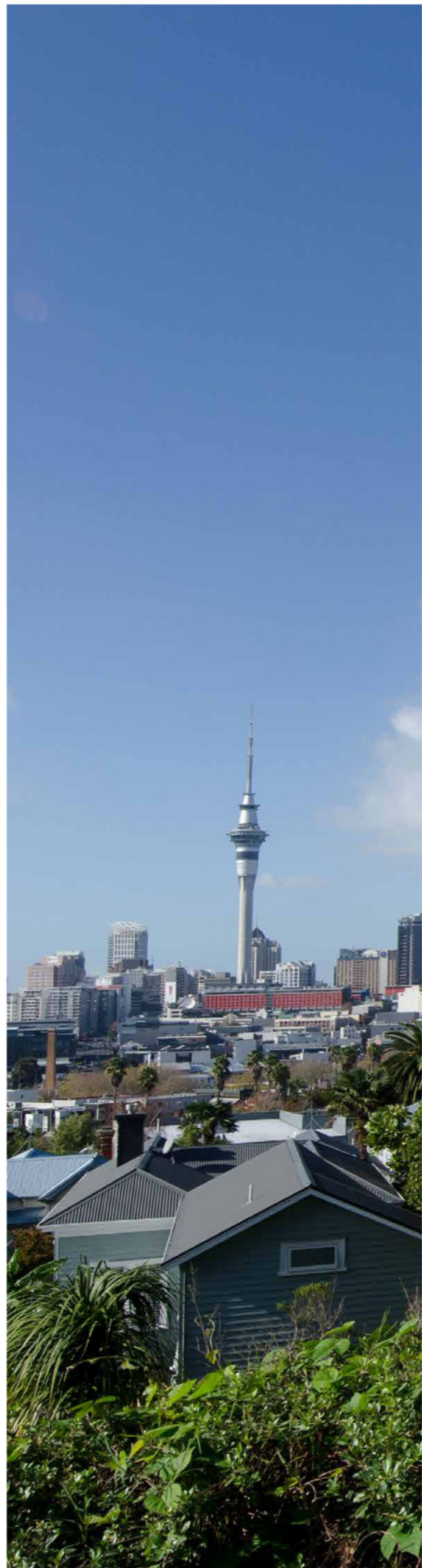
What we once thought to be a shortage is actually a mismatch of fit-for-purpose housing – particularly for those in vulnerable situations.

Are houses less affordable?

So, let's focus on 'affordability'. We know that houses in Auckland are now exponentially more expensive than they were 40 years ago. But are they less affordable?

That may sound like a strange question – but it's actually a very logical one. Affordability isn't just determined by price – but also by a range of other factors such as income, interest rates, and the ability to put together a deposit.

By way of an example: Let's say I buy a painting for NZ\$500 and that painting



Headshot photo: Ted Baghurst/NZME



increases in value to NZ\$1,000. I see another painting that I like, and that painting is also NZ\$1,000, so I decide to sell the first one to buy the second.

In this scenario, the new painting isn't any less 'affordable' than the first one because I'm simply transferring value for value.

Additionally, if I've had a pay rise or two in the time since I bought the first painting then, relative to my own circumstances, the new painting is actually more affordable than the first one I bought – even though it's twice the price.

This simple illustration goes some way toward explaining why steeply increasing house prices don't necessarily make housing any less affordable for those who already have homes.

But what about the cost of servicing a mortgage? If I sell my home to buy a more expensive one, surely that means the second one is less affordable because I'm now facing additional costs.

Yes and no. There's now ample evidence to show that the dramatic drop in mortgage interest rates over the past 30 years has more than offset the additional price you might pay for a home.

In fact, recent research shows that a household on the average median Auckland income in 2020 is spending about the same proportion of that income paying off a mortgage on a home in Auckland as was the case in 1976.

So, as we try to identify the cause of the crisis – let's review the question.

Is this a bad thing?

Yes, we can probably point to increased immigration, declining interest rates, government policy, and foreign buyers as contributors to increased house prices – but is house-price inflation, in and of itself, a bad thing?

In my opinion, it isn't. We now know that the 'cost' of servicing a mortgage, as a percentage of household income, is actually about the same as it was 40 years ago. And the increase in the value of our homes has enabled us to do a wide range of things which wouldn't have otherwise been possible.

These include using that equity to buy businesses, educate our kids, travel, invest and feed back into the economy.

But if someone who already owns a home isn't a 'victim' of the housing crisis – who is?



First-home buyers suffer

The answer to that question must be those who want to buy a home but can't get into the market – particularly first-home buyers.

Of course, not all first-home buyers are shut out of the market. In fact, we now know that first-home buyers were the largest single group of house-buyers between 2013 and 2018 – in every part of New Zealand, except Auckland.

And why was Auckland different? The data doesn't tell us that, but I'd suggest the difference was the fact that the median Auckland house price was over NZ\$800,000 and required a deposit of around NZ\$160,000. This is a prohibitive sum for many young people.

Why was it so high? Because in 2013, the Reserve Bank introduced the loan-to-value ratio (LVR) deposit restrictions which, in most circumstances, require a 20 per cent deposit to buy a house. And there lies the primary cause of the 'crisis'.

If we accept that house-price inflation has been overwhelmingly positive for home-owners – and that the only 'victims' of that inflation have been first-home buyers who can't raise a deposit – then surely we should be focused on solutions which reduce or cut out that deposit rule for first-home buyers?

LVR was a disaster

Instead – and despite the fact that the LVR rules have made absolutely no difference to house prices – the Reserve Bank has

doubled down and confirmed that they have no intention of changing this disastrous and pernicious policy. They've effectively shut out a generation of Kiwis out of the housing market.

The 'housing crisis' is the inability of first-home buyers to put together a deposit to buy a home – particularly in Auckland.

And the blame for that lies fairly and squarely at the feet of the Reserve Bank. 🗳️

Ashley Church is the former chief executive of the Property Institute of New Zealand and the Auckland Property Investors Association. A media commentator on property for over 20 years, he now writes on behalf of OneRoof.

Definitions

House equity: How much you own of your house. Your equity is the value of the house less what you owe. You can also borrow more against your equity for other investments, for example a rental property.

Loan-to-value ratio (LVR): A measure of how much a bank will lend against a mortgage property, compared to the value of the property. For example, borrowers with LVRs of more than 80 per cent (less than 20 per cent deposit) are often stretching themselves.



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Have you ever considered investing in property, but you felt as if you lacked knowledge, doubted your financial means or simply couldn't find the time?

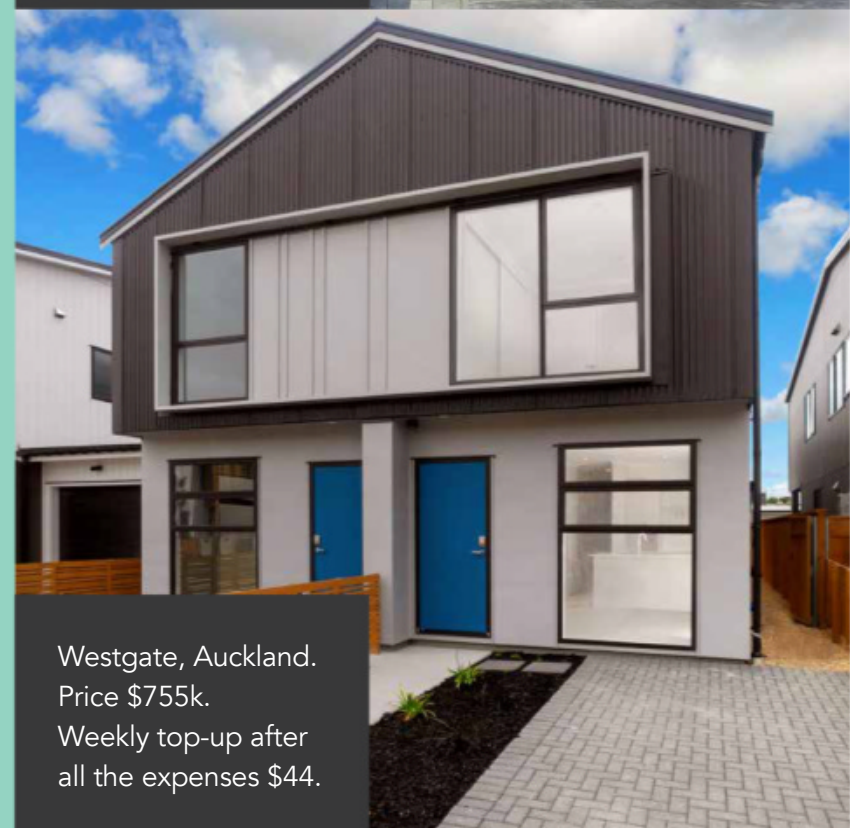
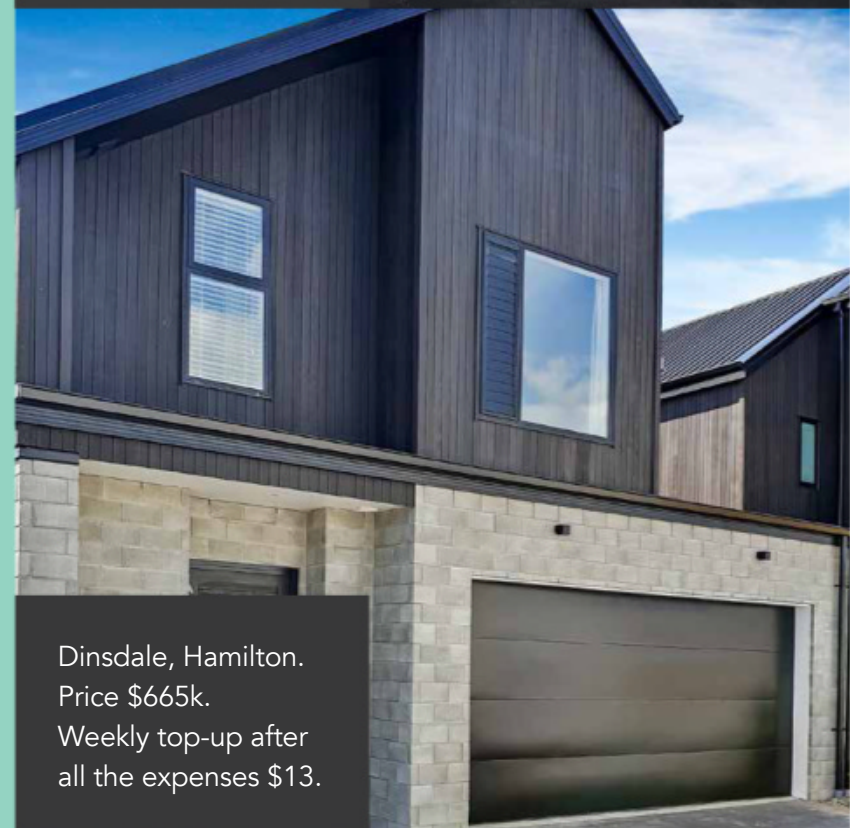
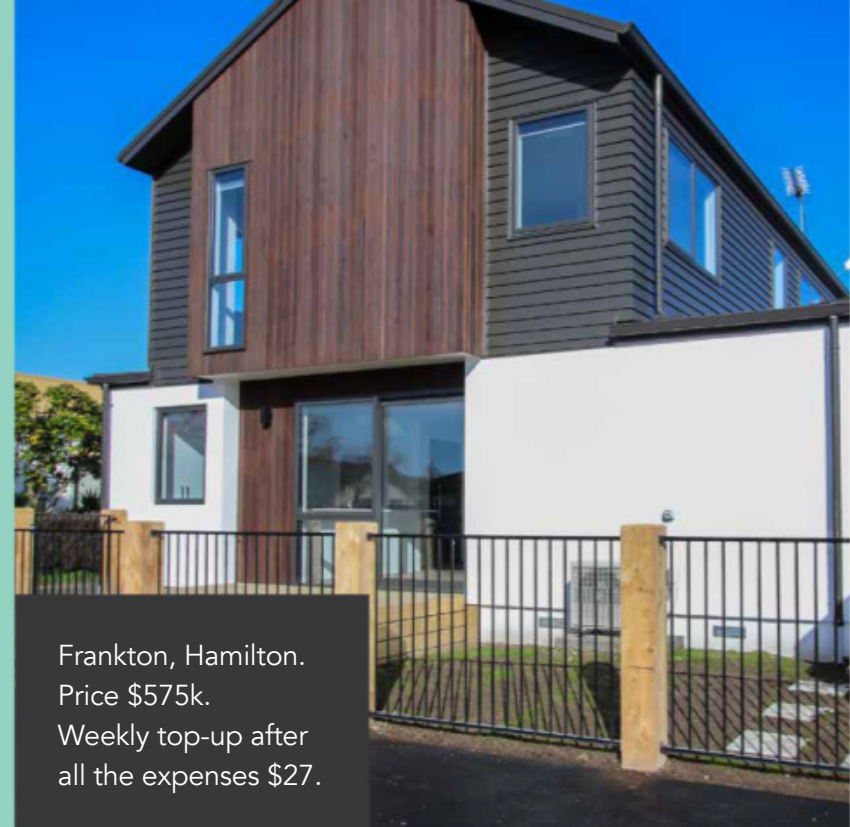
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*For full terms and conditions see www.diamondpropertygroup.co.nz/

Make Your Rental Stand Out

Tenants are looking for somewhere nice to live. So, the better your property is presented, the greater the pool of suitable tenants can be.

You only get one chance to make the best first impression, so it's a good idea to get advice on how to best present your property to tenants.

Sometimes money spent on the simple things, such as cleaning, gardening and painting can be more cost-effective than a new kitchen or bathroom.

- What do tenants see?
- Do I renovate?
- Should I spend money on the garden?
- What about paint?
- Does professional photography work?

A property manager's critical eye can help you spot easy ways to improve presentation. Sometimes all you need to get a better tenant is a tidy garden, some fresh paint in strategic places and to clean the home within an inch of its life.

If it feels warm and inviting and smells clean to tenants, you increase the pool to choose from and tenants might stay longer.

Having the property tidy sets a standard for the duration of the tenancy. Now, get your property ready to present.

The best tenanted properties are simple, clean, warm, and dry. Never underestimate this.

Paint, Carpet and Curtains

A fresh lick of paint, updated carpets and new curtains can transform a home's appeal. Tenants don't expect the latest kitchen or bathroom.



They do, however, appreciate the modern. Avocado from the 1970s, full-on pink from the 1980s or the lemon yellows of the 1990s are an instant turnoff for most tenants. New paint can help increase the rentability of your property enormously and appeal to a wider audience.

Seek free advice from a specialist paint shop for neutral but fashionable colours. Colours, even white, come in many subtly different shades.

Get rid of dated and worn carpets. When choosing replacement carpets and curtains, always look for hard-wearing and washable options in colours that hide stains.

Curtains are cheap. They can really modernise a room and give that sought-after privacy.

Tip 1: Specialist paints can bring everything from tiles to benchtops back to life.

Tip 2: When choosing carpet, paint or other products for the home, look for hard-wearing options suitable for a rental and take advice from the experts about the trends.

The Garden

Less garden is more when it comes to rental properties. Tenants don't want to be pruning the topiary or watering flower beds. If possible, replace large overgrown trees, hedges, and vegetable gardens with simple-to-mow grass.

Small rows of matching architectural or groundcover plants in garden beds look more appealing than overgrown or bare beds.

If there's no off-street parking, look for ways to create it, such as installing grass pavers.

Tenants will notice this, and it could encourage them to take the rental by having their car off the road.

The first thing a potential tenant sees in a drive-by, or open home, is the front garden and entrance. Always spend time to tidy this up to make it appealing.

It's the tenant's responsibility to mow and weed. The landlord, however, is responsible for pruning and major outdoor work.

Tip 1: Small and simple gardens work best. Investors should only buy big sections for subdivision.

Tip 2: Consider increasing the rent to include a regular mow by a contractor. This helps keep your property looking good.

Renovation Plans

If you've just bought your property, you might have some renovations planned – try to keep these simple. A total do-up may never pay for itself, and keeps the property off the rental market for far too long.

If you're not going to live in the property, new benchtops are more cost-effective than an entire new kitchen, for example.

Simple renovations can add to the rentability of the property enormously. Look at ways to modernise cabinetry and doors, and consider adding more built-in storage.

Adding heat pumps and ventilation systems to keep the property warm and dry is now part of the regulations landlords must follow.

Think about practicalities when renovating a rental. Tiles may appeal

to you, but a glass splashback will stay looking new for longer.

Cleaning Helps

Properties rent much more easily if they're cleaned until they're sparkling. Otherwise, tenants who view the property will see and smell dirt, which can scare them off.

You might be unhappy with how the previous tenants left the property. Nonetheless, it needs to be squeaky clean before you show it to possible tenants.

Tip 1: Using commercial cleaners between tenants can make sense. The cost is tax-deductible. It can also help prove to the Tenancy Tribunal at the end of the tenancy that the property was clean at the beginning of the tenancy.

Tip 2: Write a cleaning checklist to ensure nothing is missed out.

- Consider getting a home washed professionally between tenancies.
- Have carpets professionally cleaned or hire a Rug Doctor machine.
- Check the property carefully for hidden rubbish and remove it all.
- Steam-clean curtains or buy new ones if they're too dirty.

- Clean filters in range hoods, heat pumps and other devices.
- Familiarise yourself with specialist cleaning products to remove animal smells, mould, or permanent marker.

Staging and Photography

Great photography can catch a tenant's eye. The first view potential tenants get of a property is online.

If you've recently bought the home and have copyright to the images used in marketing, you can use these.

If not, you might want to consider having some professional shots taken. Do make sure they're realistic, and update them every five years or so.

Even if you're letting the property unfurnished, you might consider simple staging for the photography. It's much easier to imagine living somewhere if you can see that the furniture fits in and makes it a desirable space.

Pay for storage rather than leaving your old furniture and appliances in a rental property.

Small apartments lend themselves to being let furnished. This could appeal to students and newly arrived immigrants who will not have any of their own.





Invest in a Showhome

Want to benefit from property, but don't need a new home? Investing in a Landmark showhome in New Zealand's southern regions can give good returns, and you'll have a guaranteed tenant.

Kiwis love property, and now's a great time to invest in real estate. But if you don't need a new home yourself, and don't want the hassle of tenants, how can you benefit from it?

Investing in a Landmark showhome could be the smart answer.

How does it work?

At Landmark, we build showhomes to show clients the potential of our building skills. Showhomes are well thought-out houses, using current trends, a good style of living, and are in prime locations with a strong community feel.

When you invest in a showhome, you get rental income from Landmark, plus you benefit from any increase in value in the property. There's minimal wear and tear because nobody lives in the home. It's a true hassle-free investment, and our homes are built to the highest standard.

Showhomes are a perfect investment. We have long-standing relationships with bankers and financiers, and you'd need 20 per cent of the build price as the deposit to buy one.

We believe that having invested once with us, you'll want to repeat the process (and the profit!) again and again.

You'll have a guaranteed tenant

When you invest in a showhome, you'll have a guaranteed tenant initially. Landmark will lease your home for its time as a display home, which is usually about 12 months to two years.

As builders and developers, it's in our interests to make sure your property is expertly cared for and always kept in perfect condition.

We'll take care of all the gardening and outdoor work, including landscaping and maintenance.

Think of the benefits of having no people living in your rental property – no calls at

2am for water leaks, no noise complaints to deal with, and no chasing missed rent payments.

With the Landmark team looking after your house, there's no need for a property manager – so you'll save on property management fees.

Once the house is no longer a showhome, you can rent it on the regular tenant market, sell it, or move into it yourself. There are lots of options for your property.

Increase in value

Your home will increase in value the day you sign with Landmark and again, the day it is handed over to you.

The valuations of Landmark showhomes tend to be higher than the standard market price.

In the current market, the increase in capital value for a Central Otago home after a year is over 18 per cent.

With such demand for housing around the country, and no sign of migration stopping, there's a shortage of homes. The cost of construction is also rising at 6 per cent, per year, so the prices of today won't be the same next year.

Obviously, we can't guarantee the value of your home will increase, as it depends on market conditions. So, do your research and speak to an independent property expert and a financial adviser before making any decisions.

New opportunities

Landmark Homes Central Otago is creating several showhomes in both Central Otago and Dunedin, and is looking for interested parties to help share in the company's success.

If you'd like to come on board as an investor, Landmark Homes Central Otago can offer a range of investment options. Want more details? Contact Andy at andy@landmarkhomes.co.nz.

Why Landmark?

Landmark Homes has more than 40 years' experience of building exceptionally designed, fabulously livable homes throughout New Zealand. Landmark is 100 per cent locally owned and operated, in 15 regions.

Bringing your vision to life is one of our core beliefs. We offer clear options – including designing a bespoke home, recreating floor plans with your own touch, or developing an existing site.

We work with a handful of talented and capable designers and architects to design a home that works for you.

From your first point of contact with the Landmark Homes team, you'll be expertly guided through the stages of building your home to ensure it's exactly how you imagined it – with no hidden surprises.

Landmark Homes is a long-standing member of the Registered Master Builders, so homeowners receive a 10-year Master Build Guarantee on every home the company builds.

The first step is always to make contact. Feel free to call us for a chat to look at the options for building your own Landmark investment home – or a home for yourself. There's no better time to get the ball rolling than now.



OPESPARTNERS.CO.NZ

Property Academy

Part Three: The Private School Property Plan



A long-term property investing strategy can help you reach your goals faster, says **Andrew Nicol** of Opes Partners. He explains how to earn enough to send two kids to private schools.

There's a reason you want to get rich.

When you let your mind wander and picture what your better life would be like, where does your imagination take you?

For some, it might be a state of mind – like the freedom to go into any shop you want and not have to worry about your bank balance.

Or it might be something more tangible, like sending your kids off to private school.

Property investment can be a means to an end. It can help provide us with wealth, but it's what we do with that wealth that counts.

Property investment might be the right 'tool' for you if your dreams are long-term and you need wealth to achieve them.

Here are some of the goals you could reach:

- Having NZ\$100,000 of passive income every year by the time you turn 65.
- Sending your two toddlers to private high schools in the future.
- Paying off your mortgage 15 years early.

Investing in property may not be the right tool if your goals are short-term, where you need cash now.

Long-term property investment won't help you go on holiday next year or pay for a new car in two years' time, because it takes time for the market to appreciate.

The three long-term goals I mentioned have three things in common – what, when and how much:



1. What: Sending your two children to private schools.
2. When: In 10 years. If they're toddlers now, they'll head to high school at 13.
3. How much: Let's map this out.

Right now, the average private school costs around NZ\$25,000 a year. By the time your children turn 13, that cost will have gone up.

Let's say the fees charged by the school increase by 2 per cent a year. That means you'll need about NZ\$30,500 for each child a year by the time they reach 13.

For a total of 10 years schooling between two kids, you'll need NZ\$305,000 in total.

Pro tip: If you want to calculate how much your goal will cost in 10 years, take today's price and multiply it by 1.22. This will adjust it for compounding inflation of 2 per cent a year.

This means we need to create a strategy to make NZ\$305,000 in cash over 10 years.

Would savings work? If you tried to save this money, putting it in the bank at a 2 per cent savings interest rate and paying 33 per cent tax on any interest, you'd need to save NZ\$548 every week, starting right now, to achieve this goal.

Can property help?

Property is arguably one of the most efficient ways to use your money to generate wealth.

That's because you can use any equity within your home to fund the deposit for your investment. You use your deposit to get a loan from the bank to secure the property. You use the tenant's rent to contribute towards the mortgage costs.

Let's say you invest in a NZ\$525,000 property, and use the equity in your home to fund the deposit. This would mean that you buy the investment with 100 per cent lending and put no cash in up-front.

If this property increases in value by 5 per cent each year on average*, by the time your two teens head off to high school, this property would be worth NZ\$855,000. This leaves NZ\$330,000 of equity in the property.

At that point you can sell the property, pay your real-estate agent and put the remaining NZ\$305,000 of cash in a savings account, ready to pay your children's school fees each year.

What did this cost you?

Because the property was bought with 100 per cent lending, it will probably be negatively geared in the first few years. That means you'll need to make a small contribution to the mortgage each week – say NZ\$50 in the first year. The maths are different for each property, but this is a good ballpark.

Over 10 years, that would total NZ\$28,600. That would get you one year of private school tuition.

But by investing that money in property instead, you're able to send your two kids to private school for 10 years in total (five years each). Essentially, you got 10 times more in 10 years by investing in property.

What's your goal?

Whether you want to send your children to private school or not, is not the point. The real takeaway is that property investment could be a tool to help increase your wealth over time.

Once you determine your long-term goal, creating a property investment plan becomes comparatively simple.

The key is to decide:

1. What you want to do.
2. When you want it.
3. And then run a few rough calculations to determine how much you'll need to get it.

Buying a second property might not be the right move for everyone. See an independent financial adviser and property expert to see if this works for your financial situation, level of risk, time frames, and goals.

* The median New Zealand property grew in value by 5.9 per cent over the past 10 years.



Just Released:

Learn how to become a Property Investor for Free with Property Academy

This article has taught you about how to use leverage to become a property investor.

This is just one of the 13 topics covered in Property Academy, a newly released video course by Opes Partners.

In this **free** course, Andrew Nicol – the author of this article – teaches you all the concepts you need to successfully invest in property.

The course includes: 15 videos, 5 mini-tests, 3 calculators and 2 quizzes.

“I am incredibly impressed! You have produced a really easy to follow/read guide. What a great resource for people wanting to get into investment. I have sent on the link to friends and family who need to go through it.”

– Georgy

Go to opespartners.co.nz to enrol for free

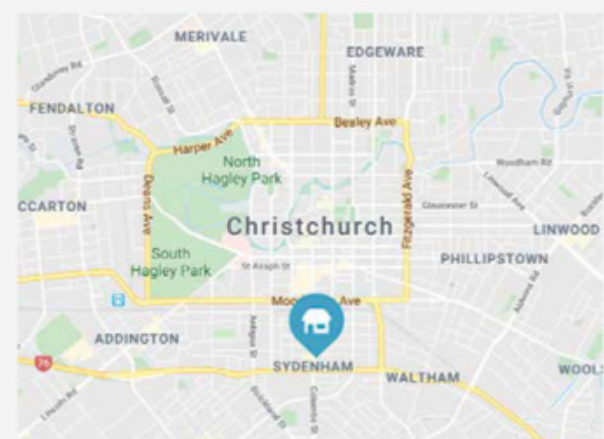
ADVERTISING FEATURE

THE FALL AND DOUBLE-DIGIT RISE OF CHRISTCHURCH

THE REBUILDING OF NEW ZEALAND'S GARDEN CITY IS NOW WELL ADVANCED

While the shocking loss of life (and subsequent buildings) from the devastating earthquake in early 2011 were permanently etched in many of our minds, almost a decade on from this event the rebuild of Christchurch has taken the city down a fresh new "liveability focused" path of architectural rejuvenation. As bars, cafes, restaurants, large employers, new green spaces and recently a covered stadium moved from drawing board to reality, the rise and rise of Christchurch as a completely redesigned new city creates new

opportunities for property investors. The market is at a tipping point where high yields, under supply, forecast rising rents and capital growth should provide for excellent cash and capital returns in the years ahead as the CBD population flourishes. With an estimated 6,000 people currently living in the CBD and a projected end game of 20,000, Christchurch Central is going to make Auckland and Wellington look quiet in the years to come. The current median sale price for Apartments/Townhouses at \$475,000 in Oct 2019 is up 10.5% on 12-months ago (Source: REINZ) so the market is on the move and we see it accelerating like the great John Britten did when he turned the spotlight on



New Zealand. It's a mirror image of Wellington's growth in 2015.

WHAT'S KEY FOR INVESTORS IN CHRISTCHURCH?

Not all markets are created equal and Christchurch is no different.



\$950m in property acquisitions, 2,150+ deals in 24 years
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EXCLUSIVE TO THE PROPERTY FACTORY



PROJECT PROFILE: 350 COLOMBO ST, SYDENHAM

- Newly completed townhouses.
- Prices: 1 bed \$330k - \$385k, 2 beds \$430k - \$470k.
- Cashflow positive up to \$5,304 /year.
- With yields of up to 6.4%.
- \$3,500 in cash back and furniture inclusions.
- Limited stock remaining - act now. 16 sales in last 4 weeks.

ACCESS TO EARLY STAGE AND WHOLESALE OPPORTUNITIES

The Property Factory is New Zealand's only wholesale buyer's agency and we have been working with a number of hand-picked developers in Christchurch to source and negotiate key Christchurch projects that deliver high rental returns and growth rates.

One of the highest yielding projects we have seen for some time is on Colombo St, 2km from the CBD where yields are up to 6.4% and cashflow surpluses of more than \$5,000 per year starting at \$330,000.

The new Christchurch has to be seen to be believed. I predict a lot of investors will look back in the next 5 years and wish they had entered or re-entered the Christchurch market sooner. With 10.5% growth in the past 12 months, this location should be on every investors radar.

**Campbell
Venning -
Founder and
Managing
Director,
The Property
Factory**



Population growth does not guarantee rental demand if you buy in the wrong location. Tenants are departing the cold and old, just ask any half decent property manager. Knowing your target market is key to maximising occupancy and yield. In Central Christchurch 39% of dwellings have one occupant and 40% have two (Source: One Roof) so why buy three-bedroom properties in the CBD?

SMALL IS THE NEW BIG AND EDUCATED INVESTORS ARE BUYING NEW

The dramatic fall in the average section size in the past 2 decades is changing the 21st century real estate

landscape in New Zealand. As an investor it's great news, as it's the building that generates the rental income, not the land.

If you can buy new townhouses on smaller blocks of land, your rent on cost rises. Whether a townhouse sits on 100 sqm or 300 sqm won't change your rent, but it will change the capital you have tied up in the higher land cost. Why would you own more land for the same rental income if you didn't have to in a world that is downsizing? It's possible to purchase brand new properties in Christchurch that are positive cashflow from day one (assuming 100% debt), with no maintenance for many years and that attract quality tenants.

For more information on this project go to:
www.thepropertyfactory.co.nz/colombo





The CoreLogic Property Report



Boomtown Stats

Property has been the rock star of the investment world, helping to make thousands of Kiwis rich. But will the good times keep rolling? CoreLogic senior property economist **Kelvin Davidson** looks at the data.

Many people have made a lot of money from property over the past decade.

Auckland outperformed, giving us New Zealand's most expensive suburb, biggest percentage change, and biggest dollar change. This stellar result happened despite housing values in the supercity flatlining in 2017-18, and even sliding a bit last year.

We also saw areas setting their fastest-growing suburb records. We saw greater than a 100 per cent rise in Auckland, Greater Wellington, Dunedin, and Queenstown.

Million-dollar rises

Some suburbs even recorded rises of more than NZ\$1 million, like Herne Bay in Auckland, and Kelvin Heights in Queenstown. To be fair, for many owner-occupiers, any financial gain on their current house gets recycled into their next home purchase. Others could cash in and release

some money by downsizing their home later in life. For investors, there have been whopping capital gains on offer.

It's been a bit of a rollercoaster ride over the last decade. We saw a lull after the Global Financial Crisis, then a boom, recently a soft patch, and now signs of a new upswing.

Smaller gains

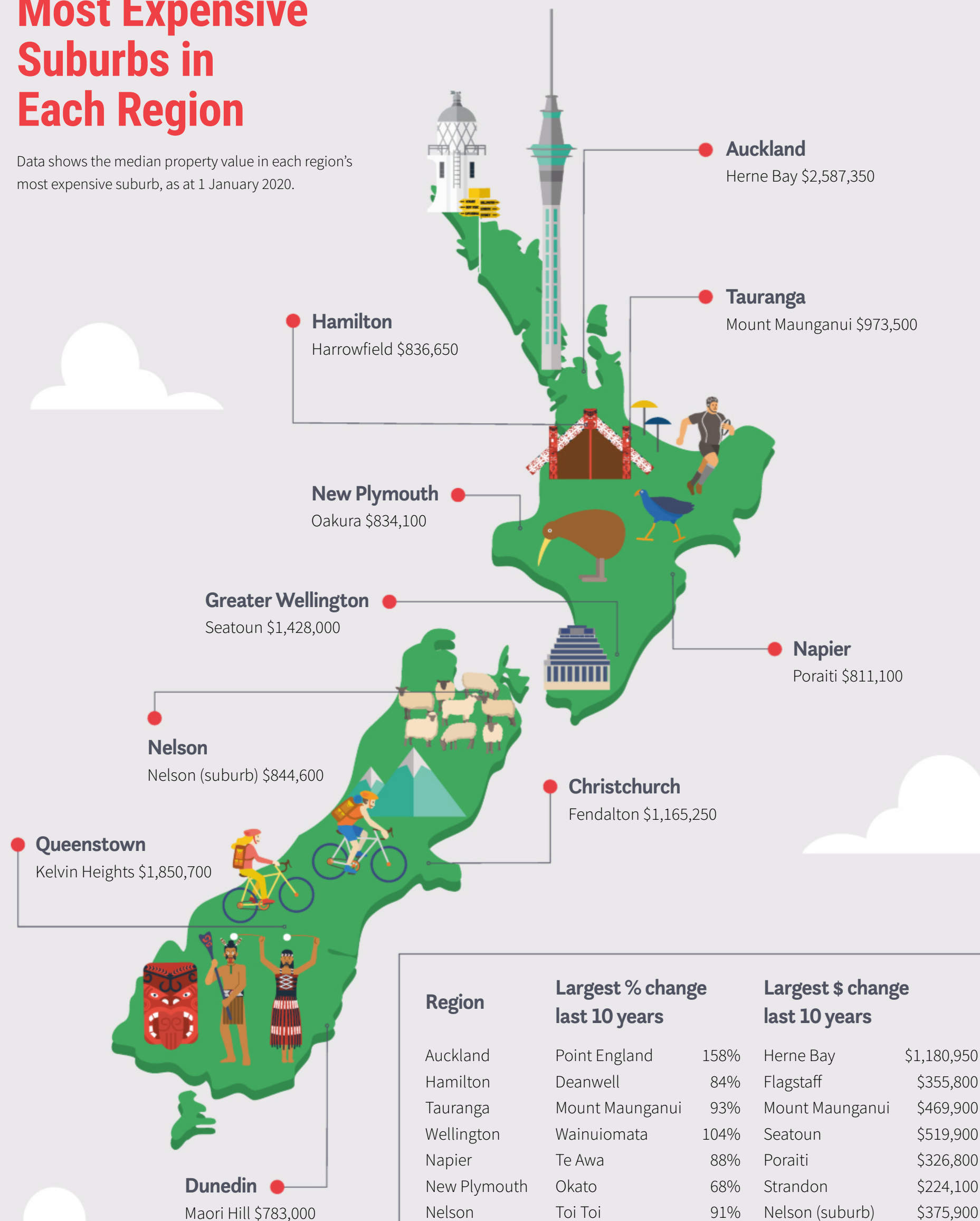
My gut feeling is that the gains over the next decade may well be smaller on average, and there are a couple of reasons for that.

Interest rates can't really go any lower, and the big shift to two-income households, which boosted house prices, has probably mostly happened already.

So, investors will need to focus on the 'nuts and bolts' of controlling costs and keeping rents rising at market rates – or above, if they can. ❶

Most Expensive Suburbs in Each Region

Data shows the median property value in each region's most expensive suburb, as at 1 January 2020.



Region	Largest % change last 10 years		Largest \$ change last 10 years	
Auckland	Point England	158%	Herne Bay	\$1,180,950
Hamilton	Deanwell	84%	Flagstaff	\$355,800
Tauranga	Mount Maunganui	93%	Mount Maunganui	\$469,900
Wellington	Wainuiomata	104%	Seatoun	\$519,900
Napier	Te Awa	88%	Poraiti	\$326,800
New Plymouth	Okato	68%	Strandon	\$224,100
Nelson	Toi Toi	91%	Nelson (suburb)	\$375,900
Christchurch	Hornby	52%	Fendalton	\$365,550
Dunedin	Brockville	116%	Maori Hill	\$315,500
Queenstown	Kelvin Heights	121%	Kelvin Heights	\$1,011,600

*10-year data correct as at 1 January 2020.



Looking for an Uplift



It's likely that house prices will keep growing, predicts **Bindi Norwell**, chief executive of the Real Estate Institute of New Zealand.

They say there's never a dull moment in politics, but I think the same's true for the real-estate industry.

The 2019 year saw some highs and lows. What's next?

As we move into a new financial year, our thoughts turn to what lies ahead and what we might expect from the property market.

Auckland – and elsewhere

During 2019, many regions across the country saw huge growth when comparing median house prices to the previous year.

In regions like Hawke's Bay and Southland, we've seen rises of more than 20 per cent.

I expect median house prices across most parts of the country will continue to go up this year, unless there are steps taken to tackle the issue of supply and demand.

In Auckland, I expect that for the first part of the year prices will stay stable, perhaps with the odd uplift here and there. But towards the end of the year there's potential for there to be a bit more of an uplift.

Overall, economists are predicting New Zealand will see price rises of around 4 to 5 per cent a year, for the next four years.

Up and coming regions

The middle of the North Island and the

bottom of the South Island were the 'superstars' of New Zealand property during 2019.

The likes of the Manawatu/Wanganui region have seen median house prices increase from NZ\$315,000 in December 2018 to a record median of NZ\$402,500 in December 2019.

Gisborne, Hawke's Bay, Taranaki, Southland and Otago have all had similar stories over the past 12 months.

I see no signs that the underlying market drivers will change any time soon, so it's likely that these regions will continue to punch above their weight in 2020.

First-home buyers

Increasing prices can be a double-edged sword.

They're great for vendors, but first-home buyers looking to get their foot on the property ladder often find their savings can't keep up with the rate of house price increases.

For now, despite prices rising around the country, first-time buyers still appear to be managing to get onto the market with few problems.

Reserve Bank figures show that lending to first-home buyers increased by 15.4 per cent in 2019 compared to during 2018.

This is great news, and we expect this will

see lending to first-time buyers continue at a similar rate over the next year.

In Auckland, stable house prices over the past three years have given first-home buyers more opportunities to get into the market.

If the Official Cash Rate drops even further this year, as predicted, this will give them even more chance to get onto the property ladder.

Investors lukewarm

Lending to investors late last year was down 7.1 per cent on 2018, and with all the regulatory changes over the past 12 to 18 months, we're seeing investors being more cautious as we head further into 2020.

There were some disincentives in the rental market – changes to how negative gearing works, and increased insulation standards, to name just two.

This mood was echoed by the ASB Investor Confidence Survey for the December quarter, which showed perceptions of rental property as providing the best return fell to a more than 15-year low at 13 per cent.

This is despite increasing rents and low interest rates.

Unless there's more support to encourage investors into the rental market, it's likely they'll continue to hesitate. ●

JUNO Junior

Children often have a better relationship with money when they learn about it early in life. In this issue, learn about the four jars system and how it works. It can be fun to watch your money grow!



Congratulations to Hahna Shaw, 6, the winner of the colouring competition in the previous issue. Stay tuned for more competitions!

The Four Jars System

SPEND

This is your spending money for this week, this month, or some time soon. It might be for a new toy or game you'd like, or for spending money if you're going on an outing or to a movie. It's okay to spend all the money in this jar.

SAVE

This is your savings jar and you can watch it fill up. Small amounts of money add up over time. Savings are very important to have when you're grown up. So, it's great to get into the habit when you're young. This jar is for long-term savings, to buy more expensive things later.

If you earn pocket money or have a part-time job, you might want to spend it all, but it's a good idea to start saving some, too.

Savings can build up, so that you can afford to buy bigger things later.

One way to sort out your money is through the four jars system.

INVEST

Putting money into an investment like KiwiSaver or an investment fund, can help you save faster over a longer time. The idea is not to touch the money for a very long time, maybe 10 or 20 years. Put money in this jar, then invest it and watch it grow!

GIVE

It's great to help others. Use this money to buy birthday presents, or give to your community, family, or friends. Maybe you could donate to an animal shelter, or use it to buy books for kids who can't afford them.

How much for each jar? That's up to you. Talk to your parents or guardian about how to split your money between the four jars.

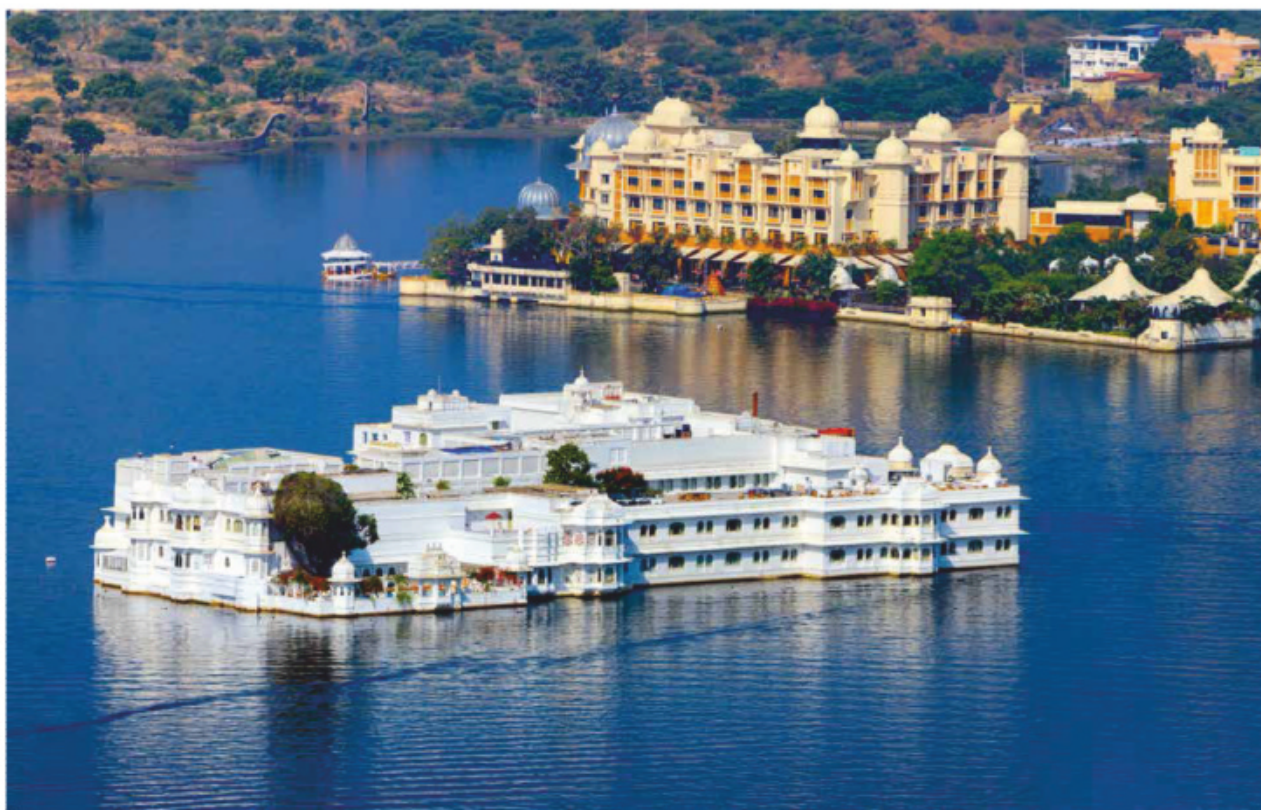


Where Money Is No Object

Money opens the doors to some of the most exclusive holiday experiences in the world. **Brenda Ward** finds seven of the best luxury holiday escapes.

Necker Island, British Virgin Islands

If you want to get away from it all try British businessman Richard Branson's private island in the Caribbean, Necker Island. The island has deserted palm-fringed beaches, a Great House for roof-terrace dinners, and a Balinese-style guest houses for its few lucky guests. For total seclusion, stay in Leha Lo, a private standalone room with 180-degree sea views. For NZ\$64,000 a night, hire the whole island for your party of up to 30 friends.



Taj Lake Palace, Udaipur, India

Live like royalty when you stay in this 18th century historic palace that looks like it's floating on an island in the middle of an Indian lake. The hotel is where the James Bond thriller *Octopussy* was filmed. The palace continues the

traditional grand soirees and formal levees which were hosted there by the royal family of Udaipur. You'll pay NZ\$4,449 a night for the Grand Royal Suite, a one-bedroom lake view room, with ornate mouldings, glasswork, jacuzzi tub and crystal chandeliers.



Round-the-world cruise

Take a 108-day round-trip cruise from Southampton, England, visiting the Caribbean, Australasia, Asia and Africa on the Queen Victoria. There are overnight stays in Honolulu, Singapore, Hong Kong and Cape Town – plus a transit through the Panama Canal. Stay in the Penthouse Suite with its own separate lounge for NZ\$229,794 a suite, and they'll throw in a welcome glass of champagne served by your own private butler. Includes all meals, gala balls, priority table seating, and traditional afternoon teas.

A yacht to Casablanca

Yotha's Seven Sins motor launch offers personalised cruising in the Med. Head to the ports of North Africa or cruise the Croatian coast. With five cabins, nine crew at your disposal and catering for

12 guests, the Seven Sins has all the toys, plus a glass-sided pool. Swim in it, or sit below and watch the swimmers in the water through the glass base. It's NZ\$478,000 to hire for a week.



Drive a Ferrari through Tuscany

Pick up your Ferrari in Florence and drive through the medieval hilltop towns like San Gimignano with its 13th century walls and medieval towers. The best driving roads of the Val D'Orcia valley head to a Benedictine monastery, then visit Montepulciano for a glass of the famous red wine at the end of the night. Pop into Prada to pick up some new clothes before heading to Chianti for the evening. The five-day, 770km self-drive holiday costs NZ\$6,411.

Imagine travelling the world when money is no object? It's a dream come true.

Abu Dhabi desert experience

Arrive by camel to your accommodation at a small palace on the outskirts of Abu Dhabi, the Royal Pavilion Villas, in the middle of the world's largest sand desert. Stay in a Royal Pavilion Pool Villa surrounded by nothing but sand dunes. You'll have your own garden terrace overlooking the desert, indoor and outdoor rain showers, a plunge pool, indoor and outdoor showers, and your own villa host to bring you drinks. Pool villas from NZ\$2,050 a night. Pay extra if you'd prefer to helicopter into the resort, or arrive by limousine.



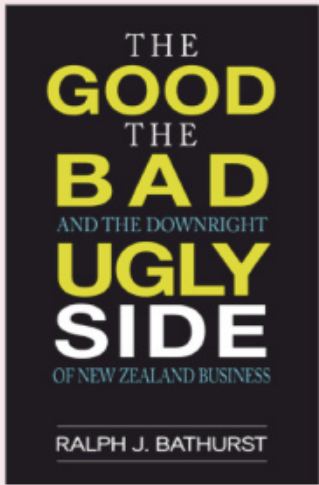
Party like the 30s on the Orient Express

Bring your tuxedo or your fringed and beaded dress for the party of a lifetime aboard the luxury train Agatha Christie made famous in her novel *Murder on the Orient Express*. Your ticket to Gatsby fun gives you one night aboard the train from Venice to London in a cabin suite, formed by joining two interconnecting rooms. Add in entertainment, a bottle of Taittinger and a rose bouquet in your room – and keep the crystal champagne flutes – for a total of NZ\$27,721.



Book Reviews

Reviewed by Sarah Ell



The Good, the Bad and the Downright Ugly Side of New Zealand Business

By Ralph J. Bathurst
Published by New Holland, NZ\$34.99

Over the years, there have been some great Kiwi business success stories. But there have also been some notable failures and crises, including South Canterbury Finance and several large construction companies. What makes some businesses do well and stay on top, while others crash and burn?

Author Ralph Bathurst is a senior lecturer at Massey University’s Business School, and this book takes an unusual and entertaining approach to looking at New Zealand business.

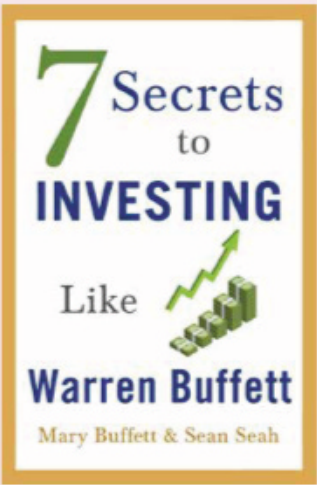
It’s not about figures on a spreadsheet, but about culture and corporate behaviour, and how they contribute to the success or failure of organisations.

Among the companies Bathurst analyses is Ansett, the Australian airline which took on the New Zealand market and failed. Bathurst also looks at the leaky building crisis, especially the problems at Middlemore Hospital, and Fletcher Building.

He looks at aspects of society which he believes contribute to the successes and failures of our businesses. Chapters on the secondary schooling system and the business of sport, using the Warriors as an example, are thought-provoking.

His advice for those who want to lead their businesses successfully? Throw away your motivational books, engage with your staff as people, not economic units, and spend time reading and enjoying music and art.

This is a classic case of don’t judge a book by its (unattractive) cover. It’s a great read for all Kiwis interested in how our business culture works and could be improved, especially for company owners and those in management.



7 Secrets to Investing Like Warren Buffett

By Mary Buffett and Sean Seah
Published by Simon & Schuster, NZ\$35

Mary Buffett has an intriguing background – and a famous name. Married to US mega-investor Warren Buffett’s son Peter for 12 years until 1993, she has since made a career out of writing about her ex-father-in-law’s investing philosophies, public speaking, and being a business consultant.

For this book she’s teamed up with Singaporean investor and lecturer Sean Seah. The pair share their insights into the techniques gleaned from Warren Buffett that they’ve used to generate wealth in their own lives.

The first part looks at the habits they believe investors need to practise in order to become wealthy, including avoiding debt, monitoring spending, and learning to manage risk.

The second part explains the ‘value investing’ philosophy Warren Buffett uses. Using accessible language, the authors look at traditional principles as well as the latest ideas on where to find the best investments, and the specific financial indicators they look for before laying down their money.

Becoming a billionaire is obviously not as easy as Warren Buffett makes it look. But Mary Buffett and Seah have identified four characteristics they consider make up the mindset of the successful investor: patience, independent thinking, focus and consistency. It might not sound exciting, but as Hungarian-US investor and philanthropist George Soros says, “If investing is entertaining, if you’re having fun, you’re probably not making any money. Good investing is boring.”

Another book with a highly unattractive cover, once again this one contains useful information for both the beginner and the more advanced investor.



A Wine Experience Like No Other

If you're in Hawke's Bay, a wine experience with Smith & Sheth should be at the top of your list of things to do.



At Smith & Sheth, we're all about the wine. You'll find the Smith & Sheth Oenotheque, offering something special for all wine lovers, in the centre of Havelock North.

During the day, pop into our Cellar Door in the Village Exchange courtyard next to Porters Boutique Hotel for a flight of our CRU brand wines for NZ\$15, or simply enjoy some sunshine on our patio with a glass in hand and small plates to share. Buy any of our wines to take home with you. We offer tastings until 4pm, and welcome walk-ins.

Crossing into the evening hours, our Cellar Door turns into a cosy Wine Lounge featuring our family of fine wines from across New Zealand by the half glass, glass, or by the bottle, as well as a rotating selection of unique wines from around the globe.

Small plates are available day and night.

Bookings are appreciated for large groups.

A tasting journey

If you're looking for a truly one-of-a-kind wine tasting experience, try the Heretaunga Wine Studio.

Book in advance for a two-hour private tasting journey across New Zealand with our sommelier (NZ\$150pp).

Enjoy our finest wines, select barrel samples, and enjoy an audiovisual wine experience in our studio theatre. Bookings are essential for this unique experience.

The dream team

The two stalwarts behind the Smith & Sheth brand are Steve Smith MW and Brian Sheth. They share a love for the same things: fine wine, Aotearoa New Zealand and enjoying life's pleasures.

The pair met in Hawke's Bay over a glass of chardonnay and in 2014 realised their

vision of founding a wine dream together.

That dream was to craft impeccable wines from vineyards of exceptional quality and to create experiences where they could share these wines with like-minded people.

Smith has a formidable reputation in the wine industry: renowned for establishing Craggy Range in Hawke's Bay and Martinborough, he is also one of only a few qualified Master of Wines to be based in New Zealand.

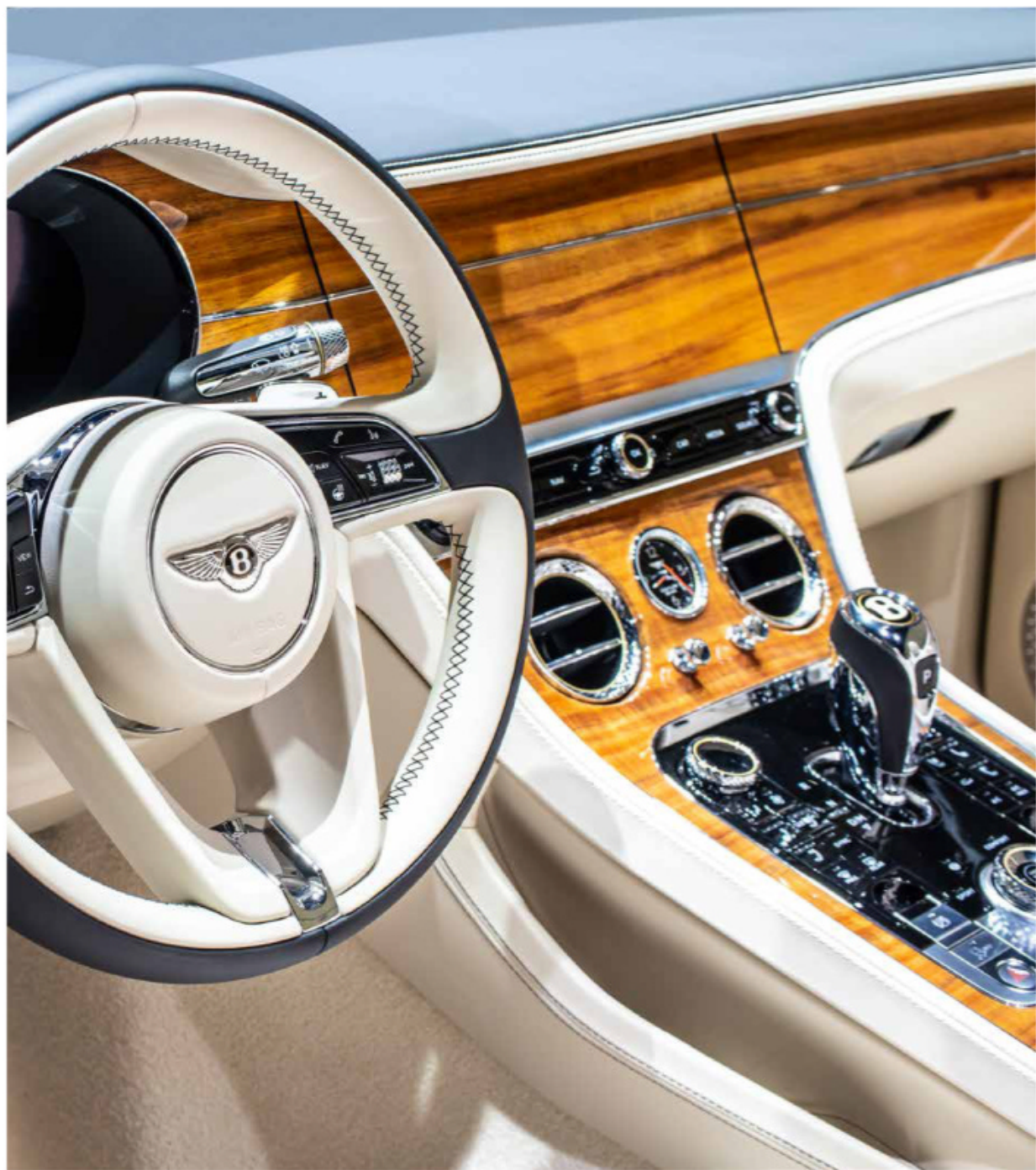
Sheth, from Austin, Texas, is an investor and wildlife conservationist, with a passion for wine and a strong love for New Zealand.

For opening hours and bookings, contact the team on:
bookings@smithandsheth.com
www.smithandsheth.com
 06 650 5550



Drive in Superb Style

From sleek looks and ultra-comfy interiors, to in-car concierge services and top performance, the latest cars can take you to another world. AA motoring adviser **Cade Wilson** looks at the perks of a luxury buy.



Even the cheapest cars by luxury manufacturers can give you luxury status, but if you've got the money and the inclination, there's (almost) no end to the luxury you can get on four wheels.

These high-end luxury cars, starting at NZ\$200,000, are the cars you don't see every day: some have supercar status, built for performance and speed, while others have lavish luxury, built to cruise in exceptional comfort and style.

Whichever end of the luxury market you're looking to buy in, you're in store for some excellent perks.

Techs appeal

Luxury brands tend to be first to the market with new technology.

Enjoy in-car concierge services, adaptive cruise control, active lane keep assist, night vision and voice activation, and crystal-clear infotainment audio systems. Some key fobs or remotes have screens

to give you vehicle status updates, activate features and in some cases, even allow you to park the car while standing outside.

Green envy

Luxury manufacturers are increasingly electrifying their fleets, bringing in the best electric or hybrid technology in the market today.

Take Porsche, for example, which has added a 100kW electric motor alongside the 400kW twin-turbo v8 engine in the new Cayenne Turbo. Look out for the all-new Porsche Taycan EV, arriving soon.

The new Audi RS6 twin-turbo V8 offers mild hybrid technology, plus Audi has released an electric SUV called e-tron.

Jaguar has the I-PACE EV, and Mercedes-Benz has released an EV called EQC.

Tesla also offers luxury with an amazing range and disruptive technology available in its EVs.

Exclusive experiences

The luxury doesn't end when you pay for your new wheels. With a new luxury vehicle purchase comes luxury dealer-provided perks.

Mercedes-Benz, for example, hosts exclusive events with top-notch speakers, and invitation-only fashion shows for vehicle owners to attend.

Owners also receive exclusive access to driving events in New Zealand, as well as AMG Driving Academy events, which give drivers the opportunity to experience AMG vehicles at incredible tracks around the world.

Bespoke luxury manufacturer Bentley is also known for its largesse.

How does an all-expenses paid trip to Australia sound, to test drive the new GT? Or first-class rail tickets from London to Crewe to see the Bentley factory?

There's another perk: Owners can also use demonstrator cars for family weddings.

In the market today

Ready to jump into a luxury buy?
Premium cars that have caught the
AA's attention recently include:



● BMW M850i xDrive Gran Coupe

Innovative digital services and assistance systems in this luxurious sports car make every trip personal and relaxed, from the BMW Intelligent Personal Assistant (Hey BMW), through to partially automated driving.

The Gran Coupe features laser lights, Night Vision, a 16-speaker Harmon Kardon sound system, Gesture Control and BMW Extended Leather 'Marino' interior upholstery.

Powered by a 390kW V8 engine, the Gran Coupe retails from NZ\$257,000. You can add full leather 'Merino' for NZ\$7,000, a Bowers & Wilkins Diamond surround sound system for NZ\$8,250 and the M Carbon exterior accents package for NZ\$7,500.

● Mercedes-Benz GLE: Winner of 2019 AA Driven New Zealand Car of the Year – Best Luxury SUV

The top-spec GLE 63 S Coupe, which retails for NZ\$219,100, comes with a 430kW bi-turbo V8 engine.

Technology and adaptiveness are par for the course, with systems that adjust to the driving situation and road conditions.

Nappa leather is standard, but you can also add the 'designo Exclusive Package' for NZ\$8,500.

Add a splash of black with the 'Carbon Night package' for NZ\$6,900 and while you're at it, add the Bang & Olufsen sound system package for NZ\$9,500.



● Bentley Continental GT

The GT is high-end luxury at its finest.

This sleek machine powered by a 6-litre twin-turbocharged W12 engine boasts an impressive 0-100 km/h in 3.7s. Drive it away for NZ\$365,000.

The exterior features clean, super-formed lines and a wide, low body, evoking a sense of speed and presence.

Inside, the GT has the Bentley Rotating Display, a 3-sided unit featuring a 12.3" touchscreen, three elegant analogue dials and an elegantly simple veneer panel.

The interior vent looks like a form of jewellery, with Diamond Knurling detailing featuring 5,331 individual diamond shapes.

To top it off, the headlamps, modelled after whisky tumblers, have a cut-crystal effect with 82 individual LEDs.

The AA is on hand to provide expert advice on new cars. Visit www.aa.co.nz/cars/ to read reviews of today's newest and best cars available in New Zealand, test-driven and rated by the AA Experts.



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Why Audits Matter

Audits can show up red flags warning that a company's finances might not be sound, says **Sarah Vrede**, the FMA's Director of Capital Markets. She explains how audits work.



A good way to understand how the funds or companies you've invested in are performing is by reading their financial statements.

An auditor's job is to give an independent opinion on whether the company's financial statements provide a true and fair view of the company's financial position and if they comply with accounting standards.

They do this by gathering information on the company and looking at important documents.

An auditor isn't there to work out whether a company is a good investment. They also don't test every financial transaction, so they can't be expected to catch all cases of fraud or every error.

What to look out for

As an investor, you should check the auditor's opinion section to see if an auditor has concerns about the financial statements.

If an auditor disagrees with a company's views, they will likely explain why with an 'opinion':

- **Qualified opinion:** A specific part of the financial statements contains an important misstatement that could mislead investors, or the auditor could not get enough evidence in a specific area. But the rest of the financial statements present a true and fair view.

- **Adverse opinion:** The financial statements don't present a true and fair view, or are not prepared in accordance with accounting standards.
- **Disclaimer of opinion:** The auditor couldn't complete their audit because there wasn't enough evidence, so they can't form an opinion on the financial statements.

For share market-listed companies, you should also pay attention to 'key audit matters' in the financial statements.

These are factors the auditor thinks are of the most significance to the company and the audit, like asset valuations.

Auditing the auditors

The Financial Markets Authority monitors audit files of firms that have to report under the Financial Markets Conduct Act. This includes companies listed on the New Zealand Stock Exchange and managed investment schemes like KiwiSaver.

The FMA's Audit Quality Report last year found audit quality has improved.

However, we did find that auditors are inconsistent in how they apply accounting standards, and we've raised concerns about how independent auditors really are.

Even though an auditor is appointed – and paid for – by a company, there are rules saying they have to stay independent.

We also found that auditors didn't always challenge companies enough on related-party

transactions, or question estimates of a company's position and outlook.

Views of audit quality

An FMA survey last year found just over half of investors surveyed (56 per cent) say they'd trust the audit profession to act with ethics and integrity.

This is concerning, so we're monitoring how the local audit industry is responding. We think auditors can do more to explain what they do.

Directors and company management need to take responsibility for the quality and accuracy of financial statements too. It's up to them to keep high-quality records and stop unauthorised transactions.

For more details and tips on the questions you can ask directors and auditors about a company's audit, check out the FMA Investors' Guide to Auditing on our website. [📄](#)

www.fma.govt.nz

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Going Up, Going Down

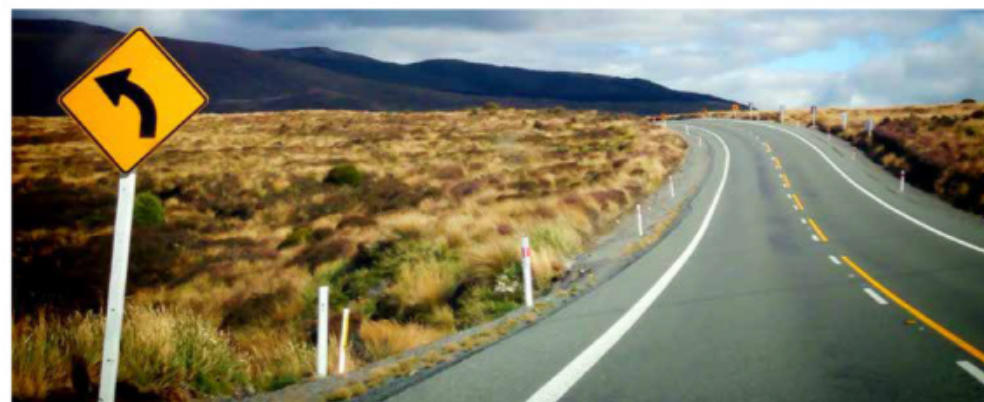
Economist **Cameron Bagrie** takes a good, hard look at New Zealand and how we're going as a nation.

Businesses are less downbeat

Business sentiment surveys give us insights into prospects, and they're looking better.

Business confidence is up from its recent lows – though still negative, and activity expectations for businesses have improved. Firms' activity expectations are a better indicator than business confidence.

The ANZ Business Outlook survey and NZIER Quarterly Survey of Business Opinion are not flagging strong growth, but it's encouraging to see some positive signs.



Turning a corner

The New Zealand economy is picking up. Annual growth recovered to 2.2 per cent at the end of the September quarter 2019, after slowing from 4 per cent in 2016 to 2.1 per cent in mid-2019.

That's a small step, but a step, nonetheless. It looks like the economy is stabilising. We're still overly reliant on population (migration) for the economy to grow – but we'll take it.



A shot in the arm

The December Economic and Fiscal Update announced NZ\$12 billion of extra infrastructure investment.

Now's certainly the time to be investing more in New Zealand. Government debt levels are contained, interest rates are low, there are obvious infrastructure deficits across the country, and the economy needed an additional shot in the arm.

Of course, things like more government operational spending, capital investment, and tax changes are more than just shovelling money out the door.

We want to be getting bang for our taxpayer buck. The government is borrowing to spend. Time will tell whether this investment (borrowing) offers real value.



Houses recover

The housing market is clearly improving, buoyed by low interest rates and pushed by continued strong population growth.

After languishing over 2017 and 2018, the later part of 2019 saw the Auckland property market kick back into gear, with prices up 4 per cent over the year and 2.3 per cent in the last 3 months of 2019.

More affordable (or less unaffordable) regions continue to show strong growth. Cities such as Hastings, Palmerston North, Dunedin and Invercargill are seeing double-digit gains.

The lifts are welcome, but the side effect is a housing market that is becoming more unaffordable.



Dairy farmers despondent

Not all asset classes are responding positively to low interest rates. Dairy farm values continue to fall.

Changes in government policy, like land use restrictions, more need to consider the environment, over-inflated farm values, high debt levels for some farmers, restrictions on foreign buyers and banks being less keen to lend, are all leading to falling dairy farm values. The good news is that commodity (dairy) prices remain strong so dairy farm incomes still look strong.

Cash rate roulette

In late 2019, everyone thought the Official Cash Rate (OCR) could fall twice more, to 0.5 per cent.

That's looking not such a sure bet as the economy show signs of turning the corner, more government spending's on offer and global sentiment is less perilous.

Of course, that sentiment could turn on a dime, because 2020 is shaping up as an interesting and, I suspect, volatile year.



Housing versus climate

Kiwis see housing and the price of it as the No.1 issue facing New Zealand, says the latest IPSOS New Zealand Issues Monitor.

It says 42 per cent of us consider housing a top-three issue. I agree. Lower interest rates – while welcome – just push house prices up and more out of reach for many.

But in Australia, the environment has rocketed to the top of the list, the first time it's been top since the survey began in 2010.

Here, climate change ranked sixth, and across the ditch, housing ranked sixth.



Points decision to the Reserve Bank

The need for banks to hold more capital was a simmering conflict in 2019. The result was a practical compromise.

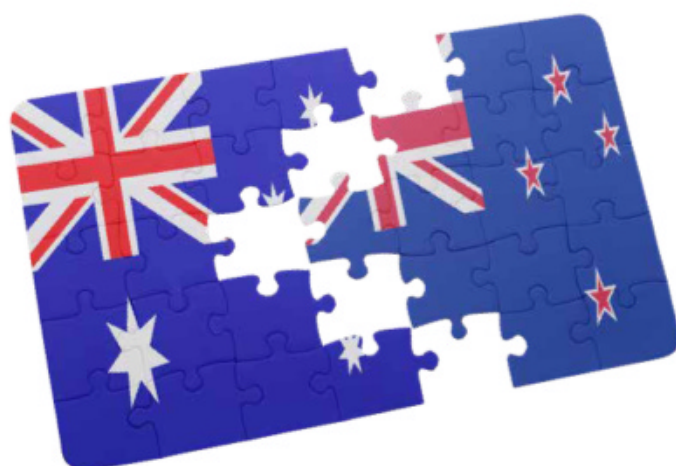
Yes, banks will have to hold capital to make them safer, but the Reserve Bank also softened some of its first proposals.

How the changes would affect borrowers was a concern. If banks hold more capital, that carries a cost, and people who hold bank shares will expect a return for that.

The Reserve Bank believes when the changes happen, it could lead to around a 20 basis point increase in what we pay to borrow money. That seems a modest amount to make the banking system safer.

Eyes on...

Trans-Tasman migration. Will the aftermath of the bushfires in Australia mean a flood of Kiwis flying home, or Australians emigrating across the ditch?



Did you know?

The household savings rate has been negative for 19 of the past 25 years.



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All data correct as at 28 January 2020.

Shares On The Move

Katharina Battenhausen, of Pie Funds, provides the backdrop to the rise and fall of four companies on the Australian Securities Exchange (ASX).



NANO CAP

Smart Marine Systems Limited
(ASX:SM8)

Smart Marine Systems was founded in Perth to better understand shark behaviour, through monitoring marine life with sonar technology, following a rapid rise in fatal attacks.

Smart Marine Systems has since expanded into environmental monitoring, subsea technology and renewable energy. Its divisions cover monitoring weather and environmental data, detecting large marine life, communications, and automation at offshore locations like vessels or rigs operated without on-site staff.

Movement

The share price was AU 2 cents on 31 January 2019, and has now increased to AU 6 cents by 31 January 2020. That's a 200 per cent increase.

What's happened?

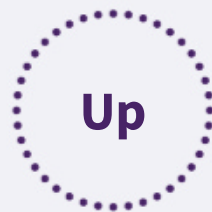
Smart Marine Systems began trading on the ASX in 2016 at AU 24 cents, when revenue had doubled the year before. However, earnings slipped into negative territory and investor confidence faded, seeing the share price tumble.

The financial position and price didn't recover until November last year, when trading volume mysteriously spiked. The price doubled in a few weeks.

Future happenings

A third-party article within the investment community may have temporarily sparked interest.

Smart Marine Systems didn't make any major announcements, report improved financials, or have any insiders increase their shareholdings.



MICRO CAP

Vmoto Limited
(ASX:VMT)

Vmoto makes electric powered two-wheel vehicles under three brands. Vmoto targets the Asian value market, while customisable E-Max vehicles are made for the business-to-business market, focusing on food and parcel delivery, rentals, government use and ride-sharing. Super Soco products target the European market, with stylish e-motorcycles and scooters. The company combines low-cost Chinese builds with European design and benefits from a growing trend away from combustion engines.

Movement

The share price was AU 6 cents on 31 January 2019, and has now increased to AU 26 cents by 31 January 2020. That's a 333 per cent increase.

What's happened?

Vmoto is recovering. In 2015, the share price began to fall. It went from AU 50 cents, down to AU 6 cents by 2017, due to weak Chinese market sentiment and financial losses.

In April last year, record sales saw investor sentiment improve, resulting in a modest share price hike.

Later in November, there was more good news – a 94 per cent increase in total unit sales and a successful expansion of the distribution network, plus new products.

Future happenings

Investors have been won over by Vmoto's latest news and are expecting strong growth this year.

They'll be closely watching how their new products fare with consumers, and it's expected the company will be very sensitive to any sign of unfavourable or ambiguous announcements.

MARKET CAPITALISATION	AUSTRALIA/NEW ZEALAND
NANO CAP	Less than AU\$25 million
MICRO CAP	AU\$25 million–AU\$150 million
SMALL CAP	AU\$150 million–AU\$1 billion
MID CAP	AU\$1 billion–AU\$5 billion
LARGE CAP	AU\$5 billion–AU\$50 billion
MEGA CAP	Greater than AU\$50 billion

Disclaimer: Past performance is not an indicator for future performance. This article is general in nature only and has not taken into account any particular person's objectives or circumstances. It does not constitute financial advice. We recommend you speak with an independent financial adviser. All prices correct as at 31 January 2020.



SMALL CAP

Retail Food Group Limited

(ASX:RFG)

Retail Food Group owns and operates food franchise businesses such as Gloria Jean's Coffees and Donut King. The company also does coffee roasting and wholesaling.

Movement

The share price was AU 32 cents at 31 January 2019, and decreased to AU 11 cents at 31 January 2020. That's a 66 per cent decrease.

What's happened?

In December 2017, the company announced falling revenues across all areas, followed by a statement admitting there were challenging market conditions. The share price fell from AU\$4.40 to AU\$2.40 in a few days.

March 2018 brought more bad news, with net profits falling, costs rising, and the impending closure of hundreds of franchises.

The share price has slowly inched lower, due to no good news. Difficulties servicing debt emerged, and the company is selling assets and raising shareholder capital to try to cover their losses.

Future happenings

Retail Food Group failed to deliver a competitive offering to their customers and fell behind in fierce competition.

Typically, customers in this industry are not loyal to a brand, but buy the best food for the lowest price.

The company couldn't remain relevant, and was facing rising operating costs. Any recovery for the company's domestic operations will be challenging, but investors will closely watch the expansion of international operations, where the company still sees some growth.

NANO CAP

Skin Elements Limited

(ASX:SKN)

Perth-based Skin Elements Limited creates and sells organic and natural skin and bodycare products. The company was listed on the Australian Securities Exchange in 2017.

It markets products online and through retailers under sunscreen brand Soleo, and natural cosmetics products under the brand McArthur Skincare.

Movement

The share price was AU 2 cents at 31 January 2019, and halved in price to AU 1 cent at 31 January 2020. That's a 50 per cent decrease.

What's happened?

The share was listed at AU20 cents, and has been on the way down from there.

When companies first start trading, it's common for shares not to be profitable. But for Skin Elements, the losses have deepened each year, and costs far outweigh revenue.

The ASX queried the company's fitness to remain listed due to its weak financials. Skin Elements confirmed they'll remain listed and announced they'll raise further capital. Investors seem to have lost confidence in the performance of the company, which now trades at AU 1 cent.

Future happenings

The company's history of bad financials has put it in a bad place. Investors monitoring the company will be looking at financial updates before they look at buying shares.

Snapshot

We take a look at some of the events around the world affecting the global economy. From the Americas, through Europe, and then Asia, find out the latest from around the globe this quarter.



1

Canada

Canada has some of the world's least affordable housing markets – but also the most affordable. Fort McMurray was ranked the most affordable place in the world. It takes just 1.8 times the median income to afford a home.



1

Mexico

The Mexican economy is teetering on the brink of a recession, after gross domestic product (GDP) shrank 0.1 per cent. If the trend continues, interest rates could be cut further.



1

United Kingdom

The UK officially left the European Union after 47 years of membership in its famous Brexit deal, entering a transition period until 31 December.



1

United States

New York City voted to ban cashless businesses, to avoid discriminating against people who don't have a bank account or credit card. Retail outlets can now be fined for refusing cash.



1

Italy

Italy, which is struggling with debt, could impose a new 3 per cent ‘web tax’ on transactions through digital giants like Google and Facebook.



1

China

China felt the economic pinch of the coronavirus outbreak. Retail sales and tourism were the first areas affected. Many manufacturing hubs were closed to help contain the disease.



1

France

Strikes continue in France over President Emmanuel Macron’s controversial reforms, like increasing the pension age from 62 to 64, and distributing benefits to lower income earners.



1

Australia

The insurance bill for the Australian bushfires rises above AU\$2.1 billion, with the full financial and economic impact expected to be felt over the next six months.

Correct at 6 February 2020.



Cloud Kings

The cloud is one of the most important drivers of growth for big technology firms. It could also be a significant opportunity for the savvy investor, says **Chris Smith** of CMC Markets.

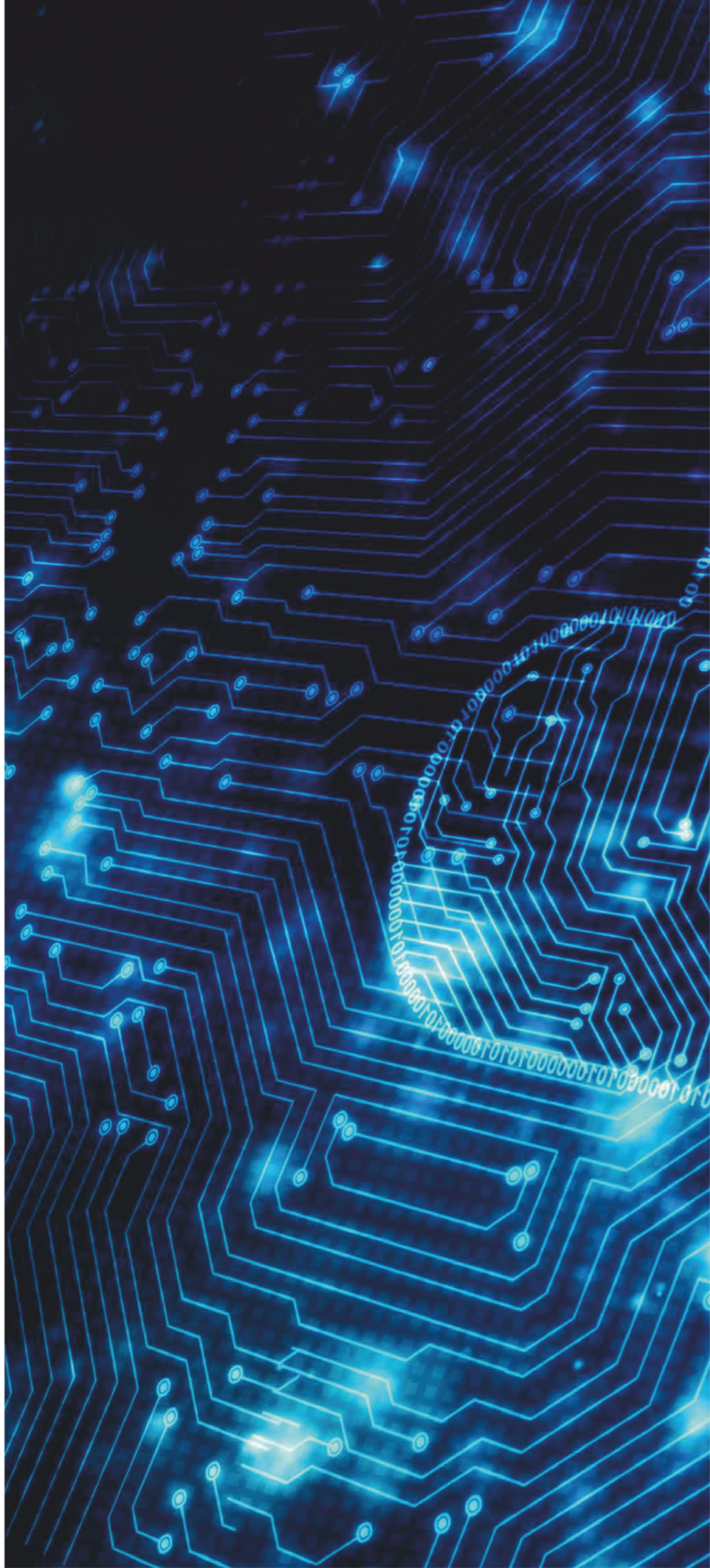
As consumers, we often take for granted how well the apps and online services we use can perform.

For example, storing high-res photos and videos on our mobile phones is faster than ever before and costs very little.

At the touch of a finger, you can watch your favourite movie, order a taxi, or transfer money between bank accounts.

But have you ever actually considered how these businesses – Uber, Facebook, Netflix – manage the billions of data points they capture, while still offering a seamless service?

These popular platforms couldn't do what they do without online data storage and processing infrastructure – better known as 'cloud services'.



What is cloud computing?

As CNBC's Jim Cramer says: "There are a lot of great opportunities in the cloud space, but if you're going to own these stocks, you need to understand what these companies actually do."

Cloud computing is a term used to describe how computing services are delivered over the internet.

The term covers both private data centres and public servers, storage, databases, software, analytics, and intelligence.

An online network is more efficient than having your own computer server, because it doesn't need to be managed by a staff member, and you get instant access to a suite of shared resources.

Data analytics company IDC predicts global spending on cloud infrastructure and services will reach US\$500 billion by 2023, almost double last year's US\$229 billion.

How does it work?

Rather than running their own computer servers or data centres, companies lease access from cloud providers via subscription plans.

This dramatically reduces costs for startups, and helps larger businesses wanting technical expertise to help them grow globally.

Cloud providers manage and own the IT infrastructure, so businesses simply pay for what they use.

The cloud 'kings'

There's a lot of money needed to set up and operate a cloud business, and there's a lot of competition, so the cloud storage industry is dominated by a few big tech companies.

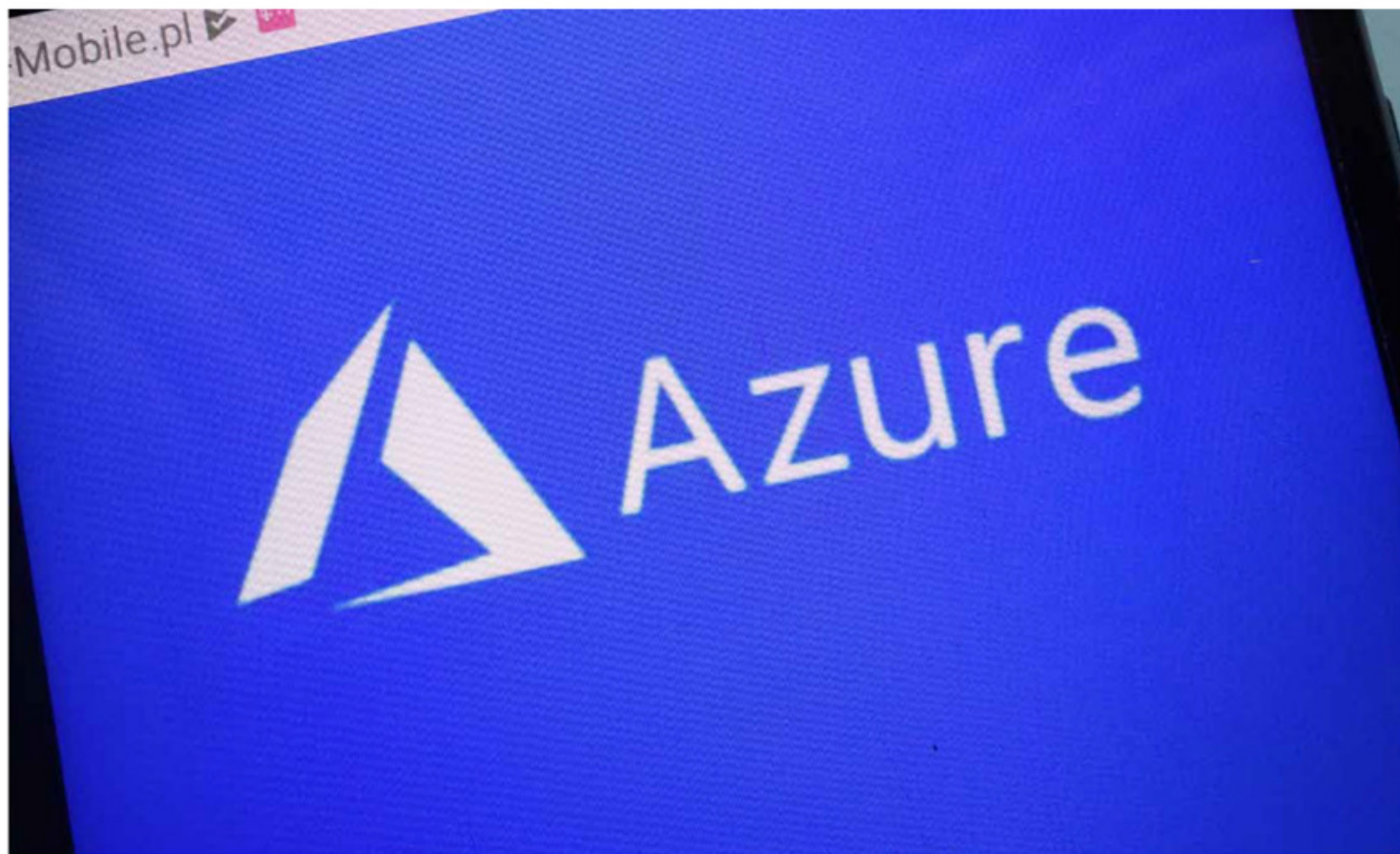
In America, Amazon's AWS, Microsoft's Azure and Google's GCP are competing for the top spot.

In Asia, e-commerce giant Alibaba Cloud is the leader, along with WeChat owner Tencent Cloud and mobile phone-maker Huawei Cloud.

Market share reports show Amazon grew its market share to 47 per cent, with its nearest competitor, Microsoft, at 22 per cent, followed by Google, at 7 per cent.

Google Cloud

Google Cloud is the third-largest provider in the United States, and its cloud



infrastructure revenues have doubled in the last 18 months, to about US\$8 billion a year.

According to Google and Alphabet chief financial officer Ruth Porat, "Google Cloud Platform remains one of the fastest growing businesses in Alphabet, with strong customer momentum reflected in particular in demand for our compute and data analytics products."

Microsoft Azure

Azure is the cloud computing division of Microsoft, which says it is a set of cloud services designed to meet business challenges by building and managing new applications via its global network.

Today, more than 95 per cent of Fortune 500 companies use Azure.

Microsoft has seen rapid growth over the past year. Its commercial cloud business grew by 41 per cent in the first three months of 2019, to US\$9.6 billion.

Amazon Web Services

Jeff Bezos's Amazon has long led the cloud market pack, using its hugely profitable web services division to expand the rest of the group.

Many years ago, Amazon realised it had space available outside peak shopping periods that it didn't need for its retail operations.



This gave it the chance to charge businesses to host and build their own services using Amazon's infrastructure, instead of investing in their own servers.

Amazon Web Services launched in 2002, and has names like Facebook, Netflix and LinkedIn among its customers. AWS has become one of Amazon's strongest business units.

It generated US\$25.66 billion in net sales in 2018, up 35 per cent from quarter two to quarter three last year.

Alibaba Cloud

Alibaba's a household name in China, an

online shopping giant that is to China what Amazon is to the US. Like Amazon, it's also a major player in cloud computing services in China.

Alibaba Cloud provides cloud services to online businesses, as well as its own retail business, and operates 19 data centres around the world.

Launched in 2009, Alibaba Cloud is growing fast and could soon be right up with its Western competitors.

Reports predict revenue may reach US\$4.5 billion this coming year and it's likely to overtake Google to become third in the world.

How to invest in the cloud

If you're looking to invest in the technology, there are thousands of software firms that use cloud computing to run their business applications and services.

These firms fall into one of two groups – SaaS (Software as a Service) or PaaS (Platform as a Service).

Interested investors and traders should spend time researching some of the major firms that are growing fast, such as:

- Adobe: A design software and business document application.
- Salesforce: Customer Relationship Management (CRM) software, which gathers in one place all a company's sales and customer information.
- Workday: For payroll and human resources.
- Xero and Intuit: Online accounting and finance firms.
- Shopify: An e-commerce firm.
- Dropbox: An online content-sharing platform.
- Survey Monkey: Online surveys for marketing and customer satisfaction reports.

Other less familiar names include:

- Twilio, which provides text messaging expertise, so that firms like Uber and Airbnb can send alerts to their customers.
- HubSpot, a marketing software company with tools for social-media marketing and managing content.

Future trends

We're unlikely to see the growth of the cloud storage industry slowing.

Areas to watch are Artificial Intelligence and Cyber Security services, which are high on business risk.

Health services will also be a big trend as consumers seek health information and services online, along with health organisations moving to online solutions. ❶

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Millennial Money

Millennials are tech-savvy and businesses are changing the way they operate to cater for their changing needs. Portfolio manager **Victoria Harris**, of Pie Funds, looks at the industries booming as they cater to these customers.

Millennials are notorious for turning every established structure on its head – they work differently, they play differently, they consume differently.

Investors seeking to profit from the growing power of millennials need to bet on a new breed of businesses catering to them.

The millennial generation refers to the group born roughly between 1980 and 2000. Unlike their baby-boomer parents, they are digital natives growing up with different lifestyles.

They use sharing-economy services, such as Uber taxis and Airbnb holiday rentals. They take selfies with smartphones and shop online.

Many tend to eat more healthily, and value personal experiences – like trying new foods, music, or taking exotic holidays.

Marketers are setting out to sell to these consumers, with their unique consumption traits in mind.

Here are five industries (and companies) that are millennial magic.

1. Food delivery

Most companies and industries are

scrambling to realign their approach to be more relevant to millennials, but many are missing one crucial insight: Millennials are looking for convenience.

Take food. New eating habits among millennials have forever changed the online takeaway space, and have created a new sector altogether – meal-kits.

On one hand, these consumers don't know how to cook and are increasingly time-poor. On the other, this generation is the most health-conscious ever.

HelloFresh (XTRA:HFG) fills this gap. Founded in 2011, it is now the largest meal-kit economy globally with annual revenue approaching NZ\$3 billion. It operates in 12 countries and delivers around 70 million meal kits.

Home food-delivery players like Uber Eats and Deliveroo, which is part-owned by Amazon, also win from this trend because now more people are ordering delivered food and more 'traditional' restaurants want access to this demanding consumer.

2. Real estate

Low interest rates have been a catalyst for high home ownership but there is another generational trend occurring.

Baby Boomers are starting to ‘cash out’ of their homes and move to the regions, but there’s a shrinking pool of millennials willing and able to buy at the prices their parents want.

Two rental housing companies in the United States, Invitation Homes (NYSE:INVH) and American Homes 4 Rent (NYSE:AMH) are filling this gap. They own tens of thousands of homes across the US that are precisely the type of homes millennials are seeking, and AMH is, in fact, purpose-building homes as rentals.

Many millennials care very little whether they rent or own, and seem to love the flexibility of renting. If they’re not handy and don’t want to mow their own lawn or take care of their own pool, these businesses are collecting big fees to take care of it all for them.

Both companies have seen their earnings nearly double in the past two years, and their share prices increase 50 per cent and 40 per cent respectively over the same period.

3. Entertainment

People have come together to listen to music for centuries. But concerts and music festivals are more than just a nice thing to do; they’re also big business.

It’s estimated that by 2022, live music will be a NZ\$50 billion industry. And millennials are a big driver of that growth as they spend more on entertainment than any other age cohort.

Studies show that most millennials attend music festivals and concerts to escape the daily grind and engage with like-minded people.

European’s largest live entertainment and ticketing company, CTS Eventim (XTRA:EVD), is experiencing the benefits of this millennial wave. It generates nearly NZ\$2 billion in revenue and is continuing to expand into new markets.

Millennials are also heavy users of social media, which has led to the rapid rise and ease of discovery of new artists, leading to continued growth for the live entertainment industry.

4. Pets

Generationally, millennials are the most enthusiastic pet owners, with some 70 per cent boasting of having at least one pet.

You’ve probably seen reports saying millennials are delaying having children and are deciding to adopt pets instead.

The way they refer to their pets reflects that. Research has found that 43 per cent of millennials refer to their pet as their “fur baby” while only 20 per cent of baby boomers use the same term. This leads to increased spending on pets and an emerging market for pet insurance.

Trupanion (Nasdaq:TRUP) offers subscription-based medical insurance for pets and has seen consistently strong revenue growth of around 30 per cent for the past eight years.

Here we see two trends collide. Millennials are taking a healthier approach to eating and they’re applying this to their pets, with many owners placing a heavy focus on high-quality pet food.

Freshpet (Nasdaq:FRPT) is a US-based company selling refrigerated pet food. It has the advantage of being a first-mover. Its brand awareness is rapidly increasing, as it’s used by a growing number of pet households.

5. Cosmetics

Millennials are avid buyers of cosmetics and appealing to them is crucial to the sustained success of global cosmetic

brands. Growing up with the internet, they want to make sure they look good in their selfies. This is driving intense demand in the cosmetics industry.

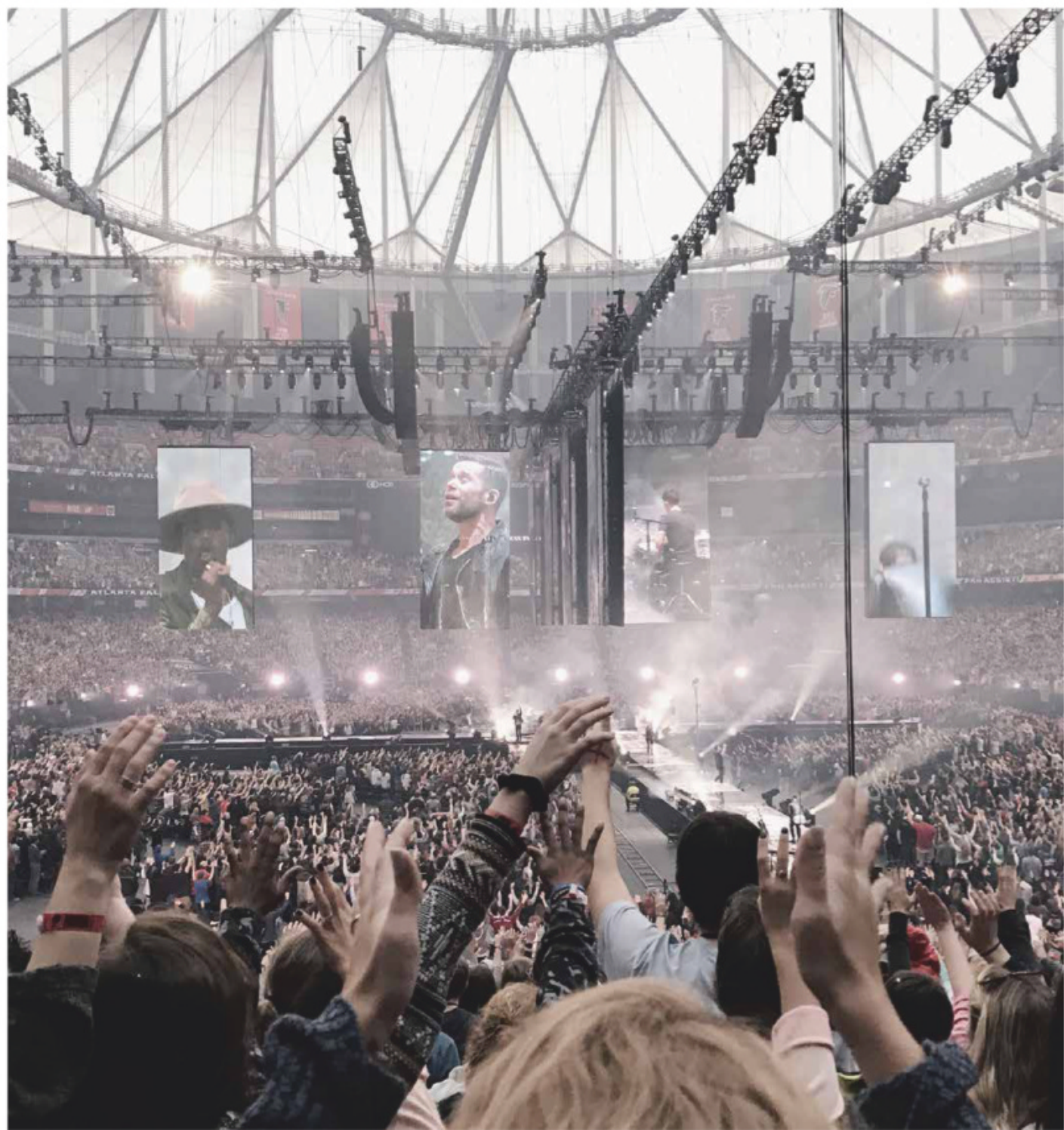
Fabrizio Freda, chief executive of Estee Lauder (NYSE:EL), says these younger consumers have 10 lipsticks for every three their mother had.

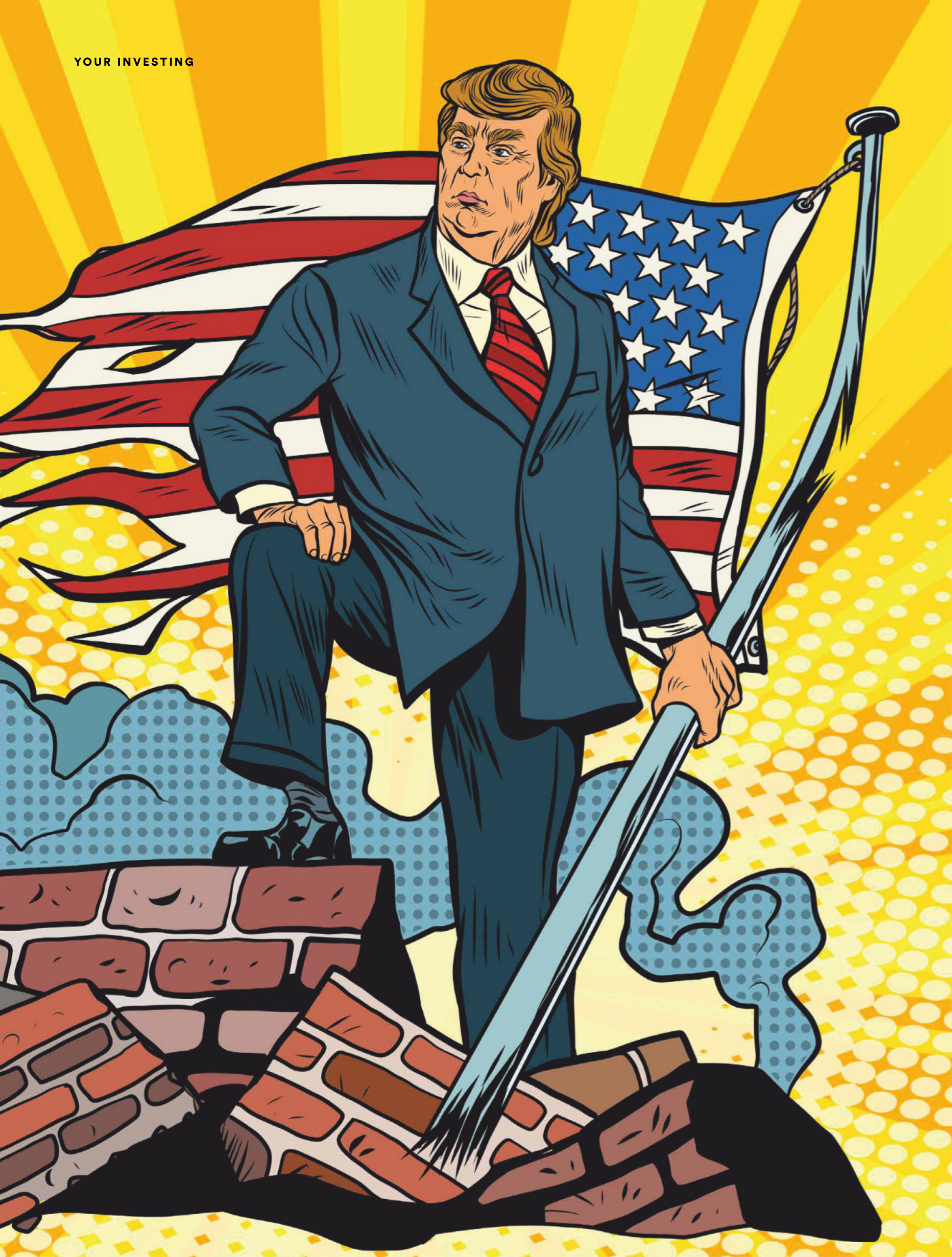
Within Estee Lauder, its proportion of millennial customers in the US has doubled in the past three years and it now boasts millennials as nearly 70 per cent of its workforce.

It’s introduced a reverse mentoring program where the younger staff teach the older staff what’s new on Instagram, or what new retail model they are using, for example.

Estee Lauder, Shiseido (TSE:4911), and L’Oréal (ENXTPA:OR) are all global cosmetic giants that are buying more emerging brands so they can remain relevant to the younger generation. ❶

Correct as at 30 January 2020. The information in this article is general in nature only. Before relying and acting on the information, we recommend you speak with an independent expert.







Will Trump Be Fired, and Does It Matter?

The US presidential election in November is likely to have a big influence on whether we'll see the record performance of the US share market continue, writes **Andrew Kenningham** of Capital Economics.

Since Donald Trump was elected as president, it's surprising how little financial markets have cared about US political developments.

In fact, last year the benchmark US equity index, the S&P 500, rose by 29 per cent, significantly more than in other advanced economies, despite a simmering US-China trade war and impeachment proceedings against the president.

Until now, the market doesn't seem to have been affected by concerns about the next presidential election.

A close call

Opinion polls and betting markets suggest that the election will be a close call between Donald Trump and the Democrat candidate – though who the latter will be won't be clear for several months yet.

US election campaigns are famously dominated by arguments about the economy.

But there's been no clear tendency in the past for the share market, or the economy, to perform better under a Republican or a Democrat administration.

In the US and elsewhere, political changes usually seem to make no difference to either the economy or financial markets.

However, the next election just might be an exception, because US politics are so polarised, and the policies put forward by the candidates are so different.

So, it's worth looking at the three likely outcomes, starting with another victory for Donald Trump.

Donald Trump 2.0

Trump will almost certainly be the Republican candidate, after celebrating his impeachment acquittal early February.

If he goes on to win a second round it could lead to a renewed escalation of the trade conflict with China and continued tariff uncertainty – neither of which is good for the share market.

But some of his other policies would continue to favour big business.

Trump may cut corporate tax rates further and abolish some business regulations. And he might replace the chair of the Federal Reserve with someone who's more willing to loosen monetary policy.

Overall, I suspect that this will allow the share market to continue to do relatively well, even if the economy itself does not – at least in the short term.

President Biden: Liberal

The second scenario is that Joe Biden, the current Democrat frontrunner, becomes president.

Most mainstream economists would be most comfortable with a Biden victory. He'd probably shift the country back to more liberal trade policies, while keeping up the pressure on China on intellectual property rights and government subsidies.

And he has talked about a more predictable foreign policy and more responsible fiscal policy. That said, a Biden presidency may not do much to boost the share market in the short term, because it wouldn't follow Trump's tax-cutting and deregulation agenda.

A radical left-wing government

The third scenario would be victory for a more radical, populist Democrat.

Elizabeth Warren dropped back in the opinion polls over January, but either she or Bernie Sanders may well win the Democratic nomination and make it to the White House.

I believe a victory for one of these candidates would make it much more likely that the super performance of US shares would come to an end.

Warren and Sanders are both running on platforms designed to clip the wings of big business and to boost the power of workers to push for higher wages.

Falling corporate tax rates have pushed along the US share market since Trump's 2017 tax cut, which boosted earnings per share by about 10 per cent.

All the Democrats would at least partly reverse that cut, but Warren's and Sanders' proposals look more radical than most.

They also plan to boost the powers of anti-trust authorities to make it easier for them to regulate, or break up, monopolies.

Warren suggests splitting the largest tech firms into platforms and providers, and has said that Amazon, Google and Facebook should be split into separate entities.

Meanwhile, Sanders has repeated his intention to break up financial institutions deemed 'too big to fail'.

This may be good for the economy in the long run by boosting competition and curbing monopolies. But in the short run, it could be damaging for the share market.

We've seen in the past that measures taken to break up monopolies had a big negative effect on the share market. Take Standard Oil during the 1900s and 1910s.

More recently, the peak of the dot-com bubble in 2000 coincided with a ruling that Microsoft should be broken up, although that judgement was later overturned.

A lot at stake

The outlook for the US economy may not be dramatically altered by this year's presidential election, but there's a lot at stake for investors.

So, they'll be looking closely at the Democratic Party primaries, in particular Super Tuesday on 3 March, and at the opinion polls, as the November election day approaches. ●

Navigating the winds of growth



You don't own debt. Debt owns you.

When we look at companies to invest in we don't like to see too much debt. It can mean they've been doing some tricky things to look better short term, but it certainly means they have fewer choices if the wind changes. We look for sustainable fundamentals like cash burn and growth rates, as we've seen high-debt companies end up distressed,

diluted or missing their potential. Low debt can also mean better returns, as many of our clients have found in their personal finances; careful choices, like paying down the mortgage, have meant they've been well placed to now diversify and invest into our managed funds.

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