

# Investing in knowledge

Money is power, freedom, a cushion,  
the root of all evil, the sum of blessings.  
– Carl Sandburg.

## Q3/15

## Money, money MONEY!

BESIDES AIR, HEALTH, LOVE, FRIENDSHIP, FAITH,  
AND HAPPINESS, MONEY IS ARGUABLY ONE OF THE  
MOST IMPORTANT THINGS IN LIFE. HOW WOULD  
WE EAT, OR PAY OUR MORTGAGE OR RENT, OR GO  
TO THE DOCTOR *WITHOUT HAVING MONEY?*

To function in society, we have to have a certain amount of money to operate comfortably. That could mean \$300 per week or \$1000 per week, depending on your circumstances and your location. Anything above that survival amount is less important than your health, your family, your happiness, your friends, and your spiritual life. Anything below that amount becomes a struggle for survival and should be avoided at all costs.

### Money is not the root of all evil

Many people form their opinions about money from an early age. Unfortunately, this means that many untruths get picked up from those in our life that mean well. One of the biggest untruths is that money is evil and the cause of all our problems. This may have come from our parents, or mentors, trying to teach us their beliefs.

True, money has been involved in many of society's problems, but it is really the people that are causing the problems. Money is just a tool that is used and abused by people. While there are many

people willing to kill or die for money, there are more people using money to heal the sick and feed the poor. A good person will do good with money, while a bad person will usually do evil. A knife shouldn't be labelled evil because of a few bad people using knives incorrectly.

### Money can buy happiness

Another common cliché that money has been burdened with is that it can't buy happiness. However, look at the two richest men in the world as an example. Bill Gates is finding his greatest happiness in giving his money to those that are less fortunate. His friend Warren Buffett has pledged to give the majority of his fortune to the Bill

and Melinda Gates Foundation. They are working on solving some of the biggest problems in society because they have the money to do it. Very few wealthy people find happiness in clinging to their great fortunes. They find happiness in providing for their families, their community, and even solving global issues like Warren Buffett and Bill Gates are doing.



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## KIWISAVER NEWS

The Government looks set to continue tinkering with KiwiSaver.

In addition to the recent removal of the \$1,000 kick-start, Bill English said recently that the government is keen to make KiwiSaver compulsory for all workers. Stating, "We're... keen on this, what we call mass auto-enrolment, that is auto-enrolling everyone who's not in the scheme... With the kick-start payment no longer in place, that's much cheaper than it used to be."

He continued on to say they will look at this over the next "six to twelve months."

### Inside

- ... The 'money myths': Evil, happiness and a means to an end.
- ... Retirement rethink: Is the economy slowing down at the same time you are?
- ... Letter from Nigeria: Scams and protecting yourself.

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## Increase your money

Even if you do believe that money is evil and that money can't buy happiness, it is hard to argue that your life would not be better, if you had a little more money. You may not want a multi-million dollar home or a hundred thousand dollar sports car, but being able to pay the bills on time and eating good food should be the starting point for any happy individual.

There are ways to increase the amount of money you have with very little sacrifice to your current lifestyle. There are ways so simple that most people disregard the advice because they think money is not that easy to acquire. All you need is commitment, persistence, and time to have more money (and perhaps a financial adviser!).

## Keep 10 percent of your money

The path to becoming wealthy starts with keeping at least 10 percent of all you earn. It's a rule that is ignored only by those with no money. The ten percent is not for holidays or fast cars or a bigger house, but for investing in assets that produce an income and/or increase in value. As your total income increases, your ten percent increases and the tiny amounts that you first started saving each week become larger and larger. Your wealth snowballs with time.



## Life's tips/1

"Do not save what is left after spending, but spend what is left after saving."

– Warren Buffet

# RETIREMENT RETHINK

LAST DECADE WE HAD THE GLOBAL FINANCIAL CRISIS. SINCE THEN, THE INVESTMENT MARKETS HAVE BOOMED BUT TOO FEW NEW ZEALAND INVESTORS HAVE MAXIMISED THE BENEFITS OF THAT BOOM – PREFERRING INSTEAD TO KEEP THE MONEY ON TERM DEPOSIT OR PAY OFF A MORTGAGE ON AN UNDERPERFORMING RENTAL PROPERTY.

There are signs that the New Zealand economy is slowing and interest rates are at historical lows. This might be good for those who wish to borrow for a mortgage but what about those in retirement who depend on bank interest rates and income from an investment portfolio?

Some options to consider are:

- Could you accept a lower standard of living in retirement?
- If you are not already retired, could you continue working for longer, giving yourself extra time to build greater wealth and less time to consume it once retired?
- If you are retired, are you willing to get a part-time job? You will be surprised just how employable retirees are in comparison to school leavers.
- Are you willing to take a higher risk with your remaining investments in order to theoretically get a higher total portfolio return? This option should only be contemplated once you have fully discussed the risks with your financial adviser.
- Are you prepared to spend your capital in retirement? There is no point taking your money to your grave. Enjoy it in retirement, especially while you are fit and active.



- Would you prefer to take a low-risk approach with a well-diversified portfolio? The day-to-day income flow from investments may be less than you are used to, but this is compensated for by regular cashing up of the asset base.
- Are you open to eventually selling your home and using the proceeds to generate additional retirement income to spend on your family, pay for rent, purchase a lower-value smaller house or build something at one of your children's homes to live in?
- Are you willing to use other vehicles to grant access to the equity in your home to fund retirement? This can be achieved via reverse annuity mortgage facilities from a small number of specialist lending institutions or via innovative financial arrangements within your family. We can talk through how this works and discuss whether these are viable options for you.
- Are you prepared to sell your residential rental property at a potential high point in the property cycle and invest the proceeds into a diversified portfolio to provide liquidity and income?

You may cringe at some of the options, but in the new reality we now face, a review of your retirement planning may be the biggest favour you will ever do for your future self.

**Contact us for a discussion on this retirement rethink.**

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## Summing up

- ... Not the 1 percenters, but the 10 percenters: saving 10% of your earnings is a great target.
- ... Time to re-do the sums: Interest rates may not improve for those needing income.

# 'Time Queen' Robyn Pearce says PUT IT AWAY NOW!

If you constantly struggle with 'stuff' left lying around, and your desk, office, garage or bedroom is a litter of 'I'll do that later' piles, it's time to change. Learn to put things away as you go and you'll surprise yourself as to how easy it is, and how fantastic you feel once it becomes a regular habit.

It's easier to shift a moving object than a stationary one. It generates higher energy and it's less time-consuming. It's when we have to go back to something that we end up in a muddle. It slows us down – procrastination becomes a familiar companion, and tidiness becomes a hard and challenging chore.

Folk who struggle with this issue typically do good work but just stop too soon. They tend to leave the putting away, or the final completion, or the decision as to where an item should live, for another time.

Next time when you:

- Complete a task at work – put away the tools and paperwork.
- Finish the day – tidy your desk and leave out only the first task for tomorrow.
- Return from a trip – unpack everything immediately.
- Get out of bed – make it.
- Dress or undress – hang things up and put the dirty washing in the basket (or ready to go out the door next time you leave your bedroom).
- Eat something – clean up after yourself.
- Arrive home with used gear – clean

and store it ready for next time.

- Finish a task in the garage, workshop or garden – clean down and put away the tools.
- Come in from work or town with a bundle of items (groceries, post, accounts to pay, magazines to put away) – whatever miscellany you typically bring home – deal with it straight away.

Consider this:

- What is clutter? Just something in the wrong place at the wrong time.
- Space and clutter strugglers just stop too soon – the job's not done until it's all put away. Simply shift the finish line.
- Why make it hard when it could be easy, all for the sake of another two or three minutes?
- Capitalise on your existing momentum. Do it now! Remember, it's faster (and a lot easier) to shift a moving object than a stationary one.

Every piece of paper or equipment lying around is a symptom of a decision not made or an action not completed.

*For more information, visit  
[www.gettingagrip.com](http://www.gettingagrip.com).*



## How to spot an investment scam

Every year New Zealanders lose millions of dollars in investment scams. Learn how to identify some of the tricks scammers use and protect yourself.

### Hallmarks of a scam

An 'investment' is likely to be a scam if you are:

- Promised very high returns with little risk. These promises are often too good to be true.
- Given little information in writing. All legitimate investments must have documents explaining the investment.
- Told the offer is known only to a select few. This is often a ploy to make you feel special.
- Not told who is behind the offer or given a physical address. Legitimate businesses give names and full addresses.
- Promised access to 'secret' overseas banking markets supposedly offering very high returns. These markets don't exist.
- Asked to keep the investment a secret. This is to stop the authorities hearing about it. You should also be wary of transferring money to internet-based foreign exchange dealers as you may have no re-dress if they take all your money.

### Protect yourself

Asking to see the investment statement is one of the best ways to protect yourself against scams. Almost all legitimate investments offered in New Zealand must have this document. But scammers rarely put things in writing.

*If there is no investment statement, seek advice from an Authorised Financial Adviser before handing over any money. Never send money to someone you only know from an unsolicited phone call.*

## Summing up

- ... Get a grip! Find out more from Robyn Pearce [www.gettingagrip.com](http://www.gettingagrip.com)
- ... Scam skepticism: Never even consider investing without seeing an investment statement first.

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# Top five reasons for not using a DIY WILL KIT

THERE ARE MANY THINGS IN LIFE THAT YOU CAN DIY (DO-IT-YOURSELF) – AND THERE ARE ALSO MANY THAT YOU CANNOT (OR AT LEAST, REALLY, REALLY SHOULDN'T). ONE OF THE THINGS THAT SHOULD NOT BE 'DIY'D' IS THE WILL.

Even though you can go and buy a DIY Will Kit from the local stationary shop, unless you are an expert in Wills yourself you really cannot rely on these, for at least the following reasons:

1. **At best, they are only good for a “simple Will”.** What that really means is a simple family situation, where you are a couple or single person with only a few beneficiaries and you all live in absolute harmony, possibly owning your own home and otherwise you only have limited and straightforward possessions, such as some household goods and a few bank accounts. So if you were able to time-warp yourself back to the 1950's, you might be okay. But the moment you have something else then the Will Kit won't be enough.
2. **Plus, families will have no way of really knowing if the DIY Will is suitable for you, because there is no advice.** Sure, there may be lots of information provided with the kit, but how do you apply it? And how do you even know if it is correct? Does what you have written cover all of your assets, both now and those you might hold

when you pass on? Is the document robust enough to cover any changes in your situation, or those of your family?

3. **There is also the issue of how good the kit is in the first place.** You can be guaranteed that it has not been prepared by an “expert” (even if it says so on the packaging) – because a real expert would never let anyone do their own Will using a Will Kit!
4. **Even if you managed to put a “proper” Will together, there is the big issue of getting it signed correctly without legal assistance.** The Courts are littered with cases of DIY Wills that were not signed correctly and the resulting problems of beneficiaries fighting for control of the estate.

5. **Finally, at the end of the day you have to acknowledge that “you don't know what you don't know”.** Without the help of a properly qualified and experienced practitioner, you may not realise the issues that you are missing in your “simple” family situation – how to deal with non-estate assets such as superannuation or assets held jointly (especially your own home) or a family trust; children or other beneficiaries with special needs, or who are still young when you die; families with second spouses and children of previous relationships; and so on.

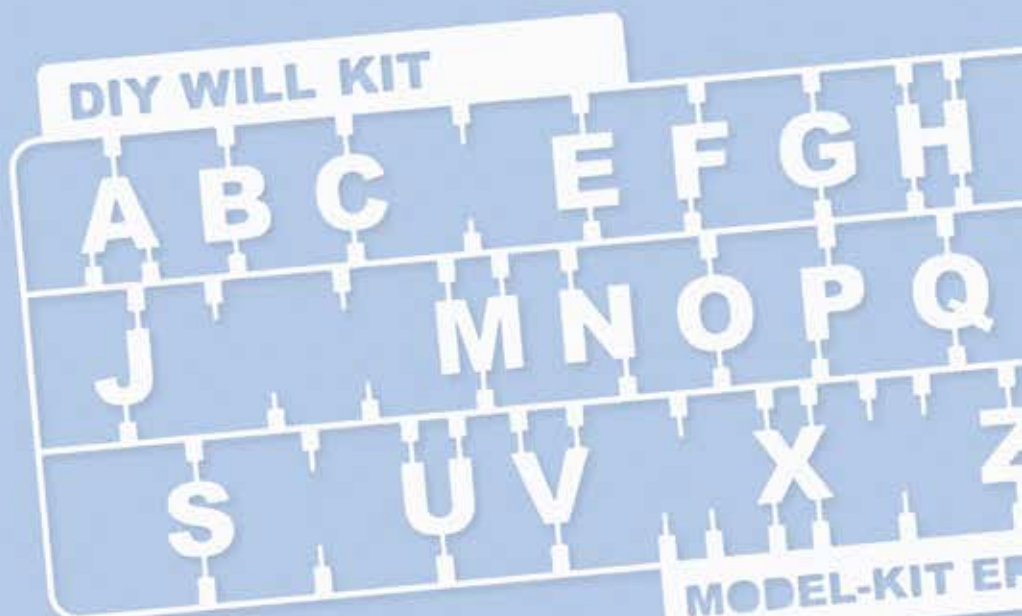
At Generation Wealth, we offer a comprehensive estate planning service that covers not only Wills but also family trusts and Enduring Powers of Attorney. Perhaps now is the time to have a chat with your adviser about reviewing your situation and putting in place a Will or an estate plan that is robust and that will deliver exactly what you want.

Don't be tempted to save a few dollars now with a DIY Will Kit, because you may end up risking your entire estate later – and at a time when your family can least afford it!

*Please contact our adviser if you would like to discuss your Will.*

## Life's tips/2

“If you invest nothing,  
the reward is worth little.”  
– *Richelle E. Goodrich*



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*Next step*

... See us about the best investment  
and insurance options for you.

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WEALTH MANAGEMENT