

THE GENERATOR

Put all your savings on autopilot,
and you won't likely notice the missing
cash — Jean Chatzky.

Q2/19

Who owns the ASSETS?

IN OUR ROLE AS FINANCIAL ADVISERS, IT IS COMMON TO SEE A BLURRING OR DEGREE OF CONFUSION AROUND WHO OWNS THE ASSETS.

Frequently they may be recorded on an assets/liabilities schedule as all being owned by you (the client) when in reality, they could be assets owned by your family trust, your company, your spouse or a partnership.

Correctly defining and documenting who or what entity owns which assets is important in the event of a death, matrimonial split, litigation, creditor claim and eligibility for benefits both today and in the future.

The most common situations that we see, and their implications, are:

Situation	Implication
You have a family trust, but your spouse is the owner of your life insurance policy.	In the event of your death the proceeds go to the spouse and not the trust. Depending on the dollar value this may negate your spouse's ability to obtain a benefit.
You inherit a valuable family heirloom and it is not placed in a family trust that is separate from your spouse.	In the event of a matrimonial separation the value of the family heirloom becomes part of the matrimonial settlement. This could mean it is sold and leaves the family.
You have a family trust. You are on the highest tax rate, yet your investment portfolio is held in your personal name.	Depending on the individual investments, you could pay a lower amount of tax if the portfolio was owned
You have sold the family home to your family trust, but the insurance policy is still in your personal name.	An insurance company may decline to pay out as the family trust does not have the house insured.

Please contact us if you are in doubt regarding any of the scenarios listed, or if you have queries around the ownership status of some of your assets.

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Rates rebates

Never look a gift horse in the mouth!

Did you realise that the government has a rates rebate scheme that will effectively reduce your rates payable by up to \$630/year?

The rebate applies if you are the ratepayer, living in your own home, and your name is listed in your council's Rating Information Database. The amount of the rebate varies depending on your rates payable and your income, with the rebate dropping out at annual incomes above \$42,000.

If in doubt, talk to your adviser about whether you qualify!

Inside

- Give your finances a winter makeover.
- How long will you live?
- Is the Kiwi dream changing?

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Give your finances a WINTER MAKEOVER

GEOPOLITICALLY THE WORLD IS BEHAVING LIKE A YOYO AND FINANCIAL RETURNS HAVE BEEN FOLLOWING SUIT.

We are now into colder weather and longer nights. Gone is the temptation to spend the evenings socialising or exercising. Geopolitically the world is behaving like a yoyo and financial returns have been following suit. Now is the time to take a fresh look at your finances to ensure you are on track to achieve your financial goals. Talk with us about your financial plan but before doing so, consider the following:

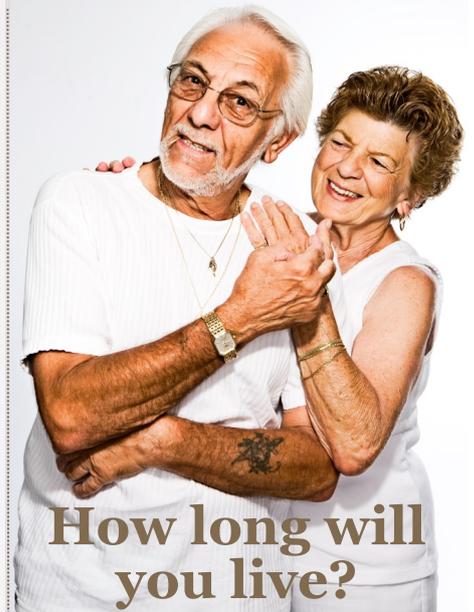
- Are you getting the best from your mortgage? Interest rates are at historical lows (below 4%) so is it better to float, fix or repay your mortgage? Are you interest-only or interest and principal, and how many years will it be before the mortgage is paid off?
- Power and telecommunication costs. Have you reviewed these in the past 12 months to ensure you are getting the best deal possible, based on price, service and functionality? Can you bundle your phone, cell phone and data plans to maximise discounts?
- Do you need all the credit cards you currently own? If you are paying an annual fee for these cards, then can you rationalise to one or two?
- Calculate how much your car(s) cost to operate per km driven over a 12-month period. The IRD mileage rate is 79 cents per km and factors in all of these things. Multiply this rate by the number of kms you do to estimate what it costs to run your car. Consider catching the bus, carpooling, or combining tasks when you go out.
- Do you have the ability to save more money so it can compound for future goals? If so, how much? What is your current investment risk profile and are you aware of the implications it has on your investment performance?

Life tips/1

“It’s not how much money you make, but how much money you keep, how hard it works for you, and how many generations you keep it for.”

– Robert Kiyosaki

- How much are you spending on your insurances each year? Do you have enough cover and of the right type? Can you bundle insurances to achieve added discounts?
- How much are you spending on the kids? Is this absolutely necessary and can it in some way be reduced?



How long will you live?

The topic many of us avoid addressing with any seriousness is that of longevity, or how long each of us will live. It can be an emotional and sensitive topic, especially if a loved one has recently died, or if your own health is fragile and your longevity is potentially limited. However, we all need to seriously address it - both before and during retirement, as longevity is one of the largest determinants of the amount of retirement savings you will require and the potential quality of life you will have.

When planning for retirement, you want to ensure that you have enough money to cover your living expenses for every year you are alive. The problem is that you have no way of knowing how long you will actually live.

It is important to understand that you have a good chance of living a long time – to 85 or longer. Good health and good genes contribute to a long life.

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Summing up

••• Take a fresh look at your finances to ensure you’re on the right track to achieve your financial goals.

••• Have you factored longevity in to your retirement plan?

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The average person is born with a set of genes that would allow them to live to 85 years of age. People who take good care of themselves may add as many as 10 quality years to that. People who smoke, are overweight, or fail to practice preventive medicine may subtract substantial years from their lives.

Our longer life spans mean that we must have vastly more retirement assets than previous generations. Our ability to save larger percentages of our income is harder for the majority of the population so we need to become more disciplined and creative in our approach to retirement planning.

WE RECOMMEND YOU SERIOUSLY CONSIDER YOUR LONGEVITY THEN TALK TO US ABOUT UNDERTAKING THE ANALYSIS TO IDENTIFY WHETHER YOUR RETIREMENT PLAN IS ON TRACK TO ACHIEVE YOUR POTENTIALLY LONGER LIFE SPAN.

Life tips/2

“Beware of little expenses. A small leak will sink a great ship.”

– Benjamin Franklin

Is the *KIWI DREAM* changing?



HISTORICALLY, AS THE WEALTH OF NEW ZEALAND FAMILIES INCREASED, THEIR DESIRE FOR A BACH OR CRIB INCREASED. OWNING ONE BECAME A STATUS SYMBOL AND SIGNIFIED THAT YOU HAD ‘MADE IT’ ON THE FINANCIAL LADDER.

As time progressed, a bach or crib evolved from something simple and low cost that was often built by the owner beside a beach, river or lake, to being a more palatial dwelling often akin to the family home. These are clustered in areas of high popularity but are now often many streets back from the water or river front and are located in a new form of suburbia. These dwellings are built by professional builders and are often debt funded.

The world-wide economic crisis; a desire to reduce personal debt levels; a decline in holiday home capital values in some areas; the changing family structure; personal time restrictions and the impact of the internet, have all combined to cause many New Zealand families to reassess why they own a holiday home and what they should do moving forward.

We are spending increasing amounts of time working with clients to resolve this financial, family and lifestyle issue. For many, the decision is significant as the

holiday home has been pivotal in the evolution of their family, but it now represents a significant financial and time investment that may not be providing the rewards it once used to.

We can help to take the emotion out of any decision you make regarding these dwellings and provide much needed balance and guidance as to what may be best for you and the family. We are helping clients work through issues such as the financial cost of owning a holiday home; how frequently it is used; the likely future usage; where the money could be better spent; how have family views regarding holidays changed, and much, much more.

CONTACT US IF YOU WOULD LIKE TO DISCUSS THE PROS AND CONS OF HOLDING ONTO YOUR HOLIDAY HOME.

Summing up

... Do you still have a desire to own a holiday home?

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FINANACIAL SUPERPOWERS

WHILE TRYING TO BOIL DOWN THE MANY REASONS FOR WARREN BUFFETT'S LONG-TERM SUCCESS, ALAN GREENSPAN ONCE TOLD THE ORACLE, "WARREN, IT STRIKES ME THAT IF YOU DID NOTHING ELSE YOU NEVER SELL. THAT IS, IF YOU CAN GRIT YOUR TEETH THROUGH AND JUST DISREGARD SHORT-TERM DECLINES IN THE MARKET OR EVEN LONG-TERM DECLINES IN THE MARKET, YOU WILL COME OUT WELL."

Buffett has shown the ability to stick with his investment strategy for decades on end.

Cliff Asness once tweeted, "Having, and sticking to, a true long-term perspective is the closest you can come to possessing an investing superpower."

Here are some other financial superpowers:

The ability to delay gratification. The whole process of investing involves putting off consumption now for consumption later. The ability to wait when it comes to spending money can help keep you out of credit card debt, compound your money for future use, and give you a margin of safety when things inevitably go wrong.

The ability to witness your neighbour getting rich or buying stuff without getting FOMO. Money is almost always relative when we think about our position in life. When we see other people getting stuff it triggers all sorts of thoughts and emotions.

The majority of the keeping up with the Joneses mentality is driven by the fear of missing out or jealousy. The problem with trying to keep up is you never know the exact financial circumstances of your peers, friends, family or co-workers. Plus there's a huge difference between buying stuff and generating wealth.

The ability to further your career. The secret most personal finance experts don't tell you is that the best way to save

and get ahead is not about being frugal but about making more money. A higher income does not solve all your financial problems, nor does it guarantee your happiness, but it sure makes life a whole lot easier.

This is an obvious but often overlooked aspect of personal finance. The ability to improve your career prospects and therefore your earnings potential offers a huge advantage.

The ability to avoid lifestyle creep. Making more money makes your life easier but the ability to keep your wants relatively constant is how you supercharge your savings.

The ability to stop comparing yourself to other people's earnings or jobs. Jealousy can be a killer when it comes to your finances but also life in general. It's hard to find contentment when you're constantly trying to copy the career path of other people or worrying how much others make.

An addiction to learning. Being smart can get you places in life, but intelligence has its limits. An insatiable curiosity is far more helpful because the world is constantly changing. If you're not consistently learning you're going to be left behind.

An ability to set realistic expectations. Mistakes are born out of a misalignment between expectations and reality. When it comes to money decisions, those expectations are always

changing depending on how things are going at the time.

Setting a reasonable range of outcomes in financial matters can reduce the onset of mistakes with your money by avoiding the overreactions that tend to accompany life's frequent curveballs.

An ability to be uncomfortable. If you're not a tad uncomfortable every month with your finances you're probably not saving enough. If it's not a little painful you're probably not moving the needle.

If you want to get ahead in your career, you're going to have to have difficult conversations, with either yourself or your employer, to figure out how to maximise your earnings and job growth.

Investors are rarely comfortable with their current positions because we live in an uncertain world and there are always other investments that are performing better than our own.

Being uncomfortable is a prerequisite when trying to get ahead financially.

An ability to be satisfied with what you have. Everyone says their main goal in life is to be happy, but happiness is just a feeling that comes and goes.

Contentment and satisfaction with what you have in life may be a more worthy goal than happiness.

Find me someone who is content with their life and I'll show you a person who is truly wealthy.

Posted by Ben Carlson.

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Next step

••• See us about the best investment options for you.

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WEALTH MANAGEMENT

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