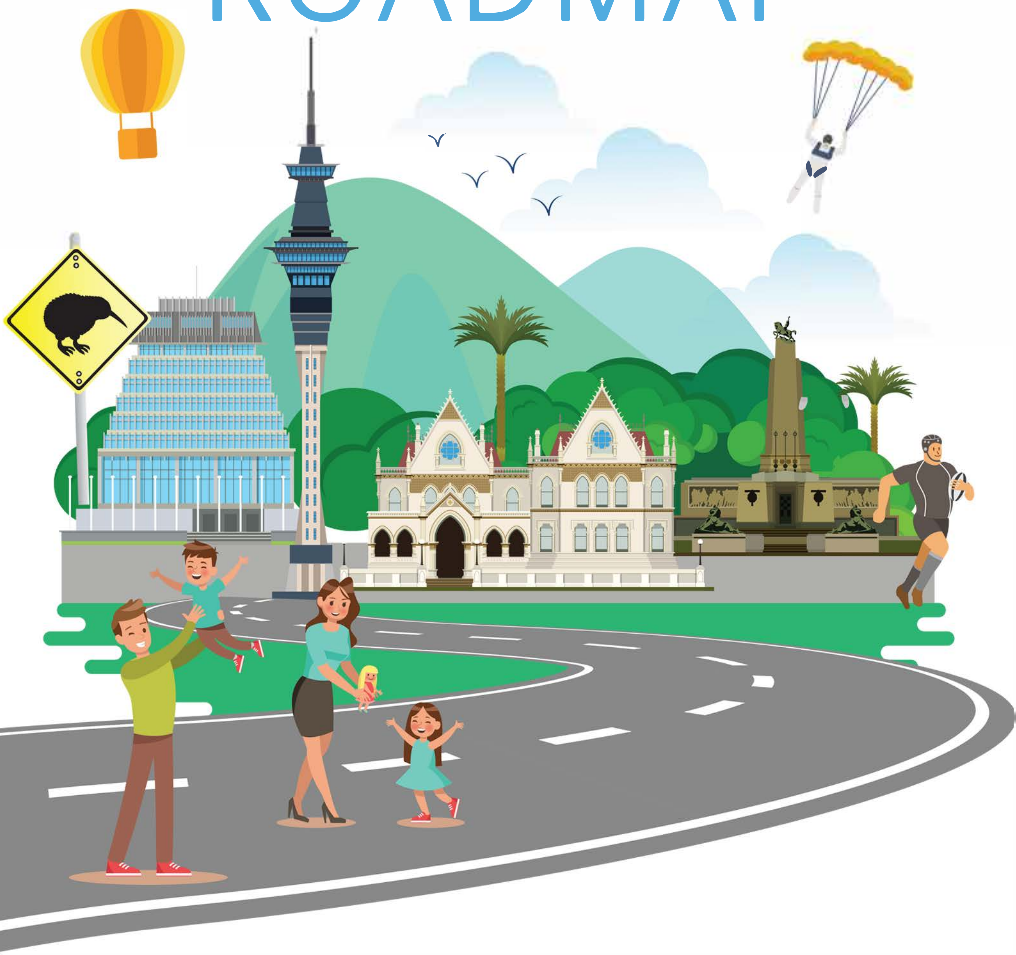
SurePlan
FINANCIAL

THE GREAT KIWI FAMILY FINANCIAL ROADMAP



BEGIN YOUR JOURNEY TOWARDS BETTER FINANCIAL HEALTH

NZ FAMILY FINANCIAL ROADMAP

My name is John Schell and I am the owner of SurePlan Financial, an Authorised Financial Adviser and the Auckland Regional Chairman for the Professional Advisers Association.

New Zealand families have not traditionally worked to a financial roadmap. The plan usually being earn as much as possible, try to have a good lifestyle, pay down the mortgage as fast as possible and hope that it all works out for retirement.

Unfortunately, when ‘hope’ is a significant part of the plan it’s no surprise many Kiwi families end up living a far poorer retirement than they needed to.

The one mitigating factor for most is that their home has gone up significantly in value. This is both great, and terrible for a lot of people. It is great that the asset base has increased, and that if they were to sell this asset, they would actually have significant equity. It is terrible in that it has made them feel wealthier when in fact the only way to realise this wealth would be to sell the house and not buy another one in a similar area. This false sense of wealth has resulted in many people in their 40s and 50s not realising until it is too late that they are fast running out of time to prepare for retirement.

Retiring debt and investing for the future are only two parts of what can sometimes feel like a very complicated jigsaw. There are many different areas and sub areas in each that all need to be understood individually and implemented in a way that allows them to work together. This is compounded for most because each area has its own specialists that charge, give different advice and often don’t agree with each other; this all makes for a confusing - and often expensive - mess.

A good holistic financial adviser can pull all of this together for you under one easy to follow road map that takes into account: where you are now, what is important for you to be able to do and where you would like to end up when time comes to stop working. This roadmap matches your needs with the products that will achieve this for you,In an easy to follow way.

A SurePlan is a simple roadmap that gives clarity and security to your future.

WHAT'S IN THIS E BOOK

With too many areas to cover, this e book is designed to touch on some of the things you will need to have in place for a successful roadmap to your future. There is a lot more to it than what we can cover in one book, but this will definitely get you thinking. Remember you should always talk to an Authorised Financial Adviser before making any decisions or taking any action because your family's future is too important to just wing it.

SECTION ONE: A GUIDE TO FINANCIAL PLANNING | P4

In this section you will get an introduction to the topic so you know what you need to think about when getting quality personal financial advice for you and your family.

SECTION TWO: MORTGAGE BASICS 101 | P16

In this section you will get an introduction to how mortgages work and what you need to think about when considering how you can get debt free faster. If you are already debt free, then this section may apply if you are to invest in property (or you can just skip this part).

SECTION THREE: PROPERTY INVESTMENT BASICS | P33

In this section you will get an introduction to some of the things to consider before looking to use residential property to build your wealth. It's important to know who is suited to using residential property to build wealth, because it is not for everyone. This sections also answers questions like: how can you assess affordability both in buying and holding property? And what are some of the common things that can go wrong?

SECTION FOUR: WILLS & ESTATE PLANNING BASICS | P42

In this section you will get an overview of wills, enduring powers of attorney and more. When you have worked hard all your life to build up wealth, it is important that you have the right structures to protect you and your legacy.

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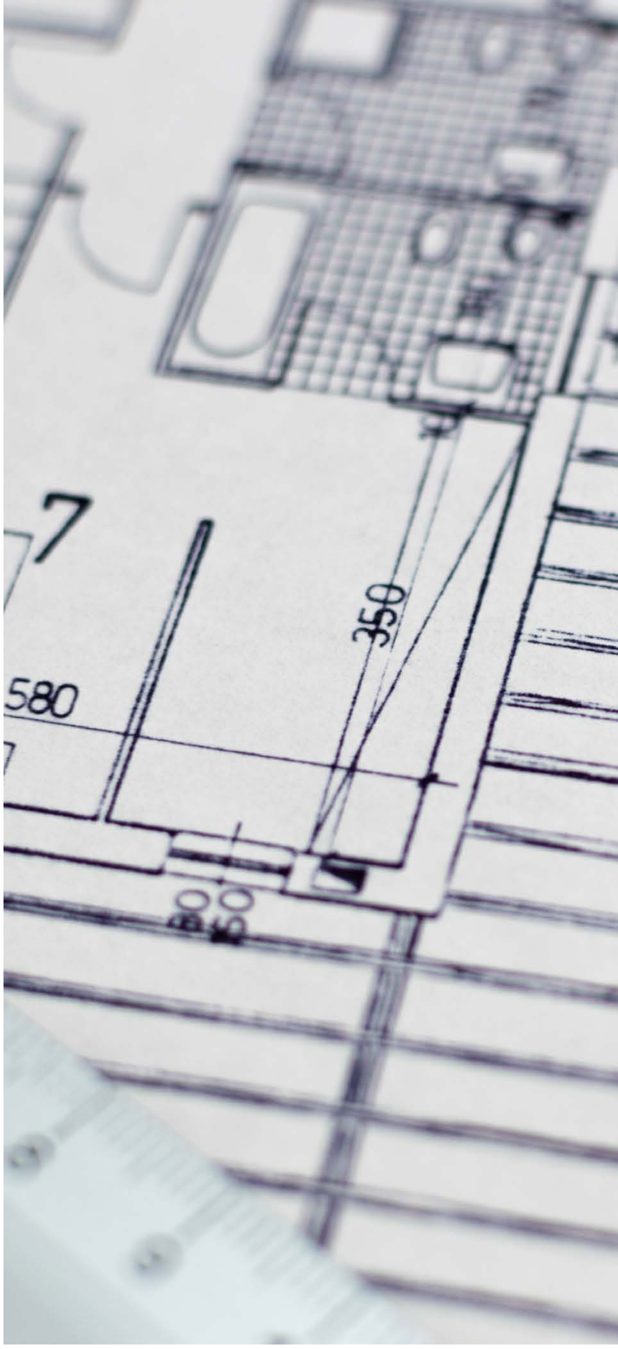
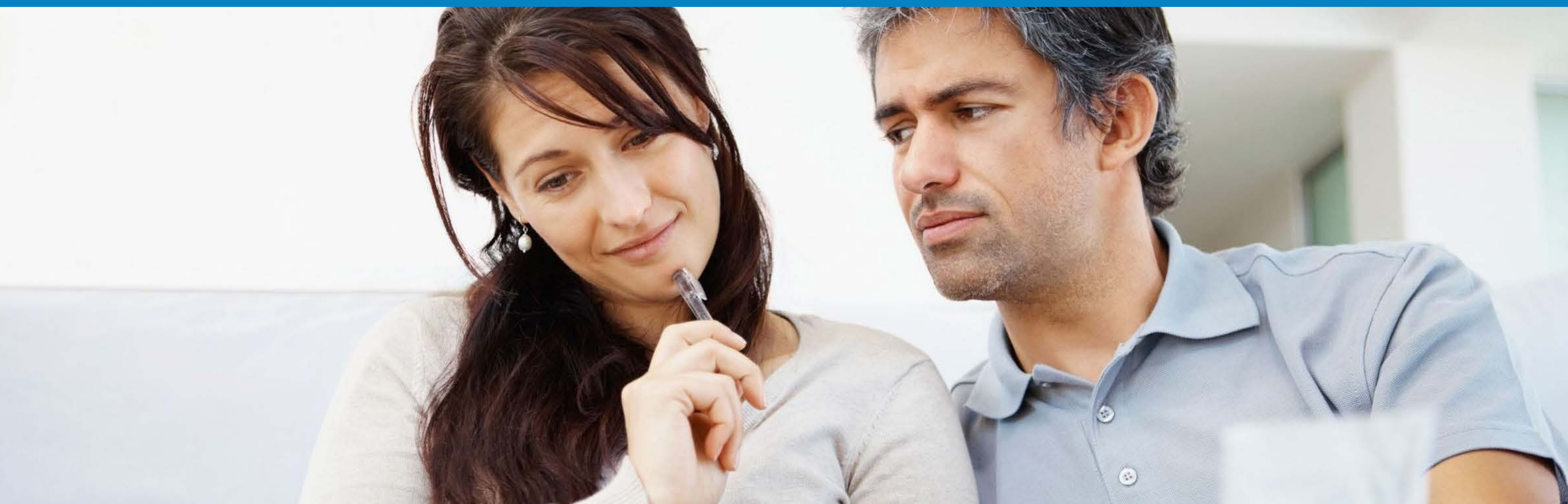


SECTION ONE:

A GUIDE TO FINANCIAL PLANNING

What you need to know about getting quality personal financial advice for you and your family



BRINGING ALL THE PIECES OF YOUR FINANCIAL LIFE TOGETHER

If your financial life seems to be spinning out of control or you just feel that you are doing lots of the right things but are not sure you are getting the results you want, you're not alone.

Today more than ever, an Authorised Financial Adviser (AFA) is an essential professional resource. From budgeting to planning for retirement, to saving for education, to managing your taxes and your insurance coverage, "finances" doesn't mean just one thing for most New Zealanders - and "financial planning" means much more than just investing. Bringing all the pieces of your financial life together is a challenging task.

Although many professionals may call themselves "financial advisers," AFA professionals are held to rigorous ethical standards and have completed extensive training, registration and experience requirements. They understand all the complexities of the changing financial climate and will make recommendations in your best interest.

AFA professionals are held to rigorous ethical standards and have completed extensive training, registration and experience requirements

WHY YOU NEED A FINANCIAL PLAN

Financial planning takes the guesswork out of managing your finances and helps you understand the implications of each decision you make. Everyone has different goals, so it's essential to have a unique plan that works for you and your situation, both now and in the future.

BENEFITS OF FINANCIAL PLANNING

In this eBook, we are going to look at just three key critical areas that having your financial planning (especially your retirement planning) organized can positively or negatively impact. Working with an AFA professional can secure your financial well-being and give you peace of mind. Some people decide to do their financial planning for themselves, but you may want to seek help from an AFA if you:

- Want to manage your finances better, but aren't sure where to start
- Don't have time to do your own financial planning
- Want a professional opinion about the plan you've developed
- Don't have sufficient expertise in specific areas such as investments, insurance, taxes or retirement planning
- Have an immediate need or unexpected life event

Financial and Retirement Planning is often overlooked during personal financial management

Of those with no financial plan:

61% do not believe they'll have enough income in retirement.	61%
22% do not want to think about their retirement or believe they will never retire.	22%
11% believe they will have enough income in retirement.	11%
6% do not know what a financial plan is.	6%

THE FINANCIAL PLANNING PROCESS

Coming up with a solid financial plan for you and your family means doing some homework, both on your part and the part of your AFA professional. From examining your current situation to setting goals, to deciding how to measure your progress, a professional AFA is uniquely qualified to take you through the financial planning process.

The six steps to creating and implementing a financial plan are as follows:

1. **Establishing and defining the client-adviser relationship.**

   The AFA should explain the services that can be provided to you and set both their and your responsibilities.

2. **Gathering your financial data and establishing your goals.**

   The AFA should ask for information about your financial situation. You should mutually define your personal and financial goals, understand your time frame for results and discuss, if relevant, how you feel about risk.

3. **Analysing and evaluating your financial status.**

   The AFA should examine your information to assess your current situation and determine what course of action will be required to meet your goals. Depending on what services you have asked for, this could include analysing your assets, liabilities and cash flow, current insurance coverage, investments and tax strategies.

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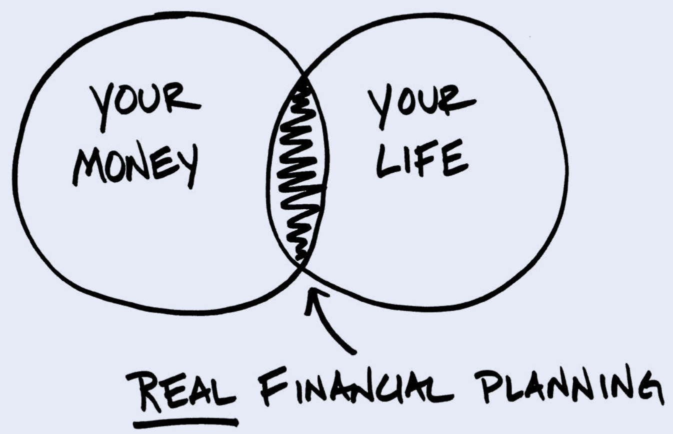
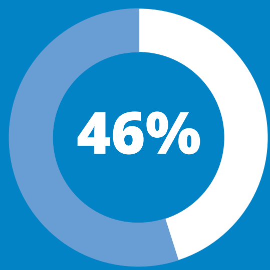
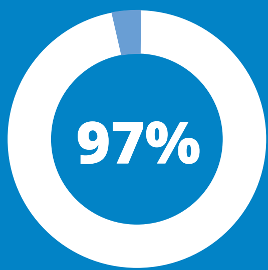


Financial Planning Statistics



of people over 50 still don't have a plan for their retirement



of people have given at least some thought to the sort of lifestyle they want when they retire

but only 54% of people have any kind of financial plan, and only 20% of people have had any professional financial advice

4. **Developing and presenting financial advice recommendations and alternatives.**

   The AFA will offer financial planning recommendations that address your goals, based on the information you provide. They will go over the recommendations with you to help you understand them so that you can make informed decisions. The AFA should also listen to your concerns and revise the recommendations as appropriate.

5. **Implementing the recommendations laid out in the Financial Plan**

   You and the AFA should agree on how the proposals will be carried out. The AFA may assist you in the discharge of the recommendations or serve as your coach, coordinating the process with you and other professionals such as solicitors or accountants.

6. **Monitoring the financial planning recommendations**

   You and the AFA should agree on who will track your progress towards your goals. If the AFA is in charge of the process, they should report to you periodically to review your situation and adjust the recommendations, if needed, as your life changes.

Above all else, you should have confidence that whichever financial planner you choose is competent and ethical. Financial planners earn AFA registration by meeting education, examination, and experience and ethics requirements.

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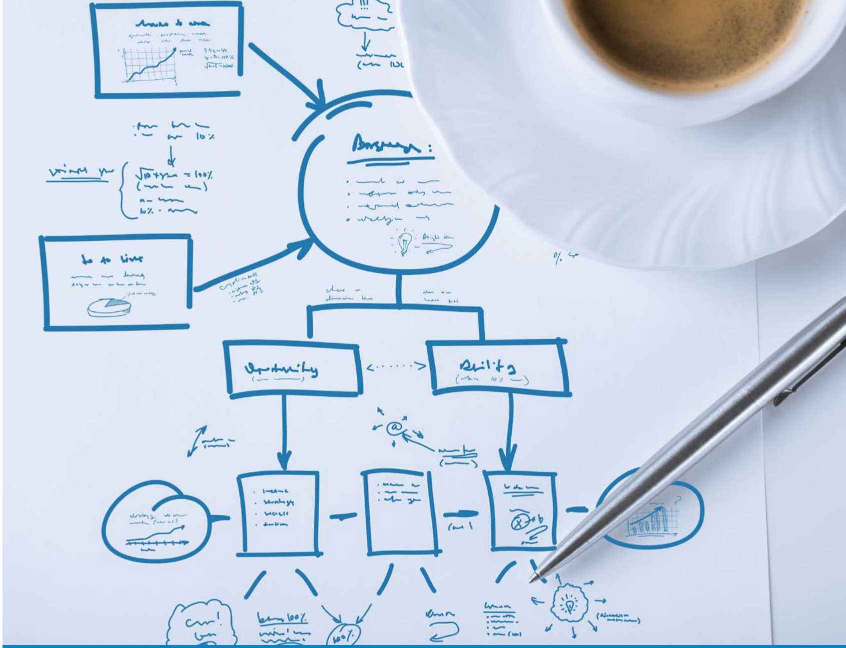

30%

faster home loan repayment is the average result achieved by those working with an AFA professional compared to those who do go it alone

Take the time to meet with an AFA professional, it can save you tens of thousands of dollars of mortgage interest over the years

HOW TO GET STARTED

Figuring out how to pull your finances together and make a sound financial plan can be daunting at first. Here's an overview of how an AFA professional can help you design a secure financial future, as well as some tips for protecting your money.

SETTING FINANCIAL GOALS

What's the most expensive thing you'll ever buy in your lifetime? The answer probably isn't a big-ticket item like a new TV, car or home. When you put money into a retirement nest egg, you're "buying" your retirement. Given New Zealand Superannuation's uncertain future, longer life expectancies and decreasing employer contributions, planning for this significant expense is both more complicated and far more critical than it was a generation ago.

You can afford to retire with a reasonable standard of living IF you develop a solid plan and make smart choices along the way. Regardless of your income,an AFA professional can help you:

- Calculate your net worth
- Avoid financial set backs
- Deal with major life changes
- Avoid debt and credit problems
- Decide where to put your money

Today, there are an overwhelming number of choices for saving and investing your money and an AFA can help you navigate those options. Creating a robust, realistic plan will help you stay on track to have the retirement you want.

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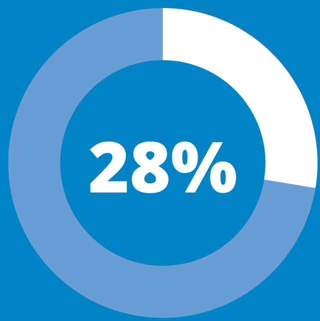
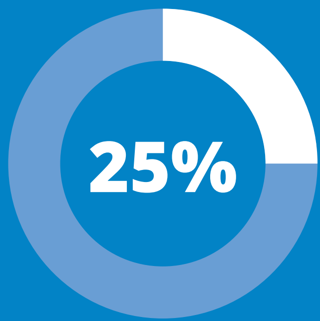
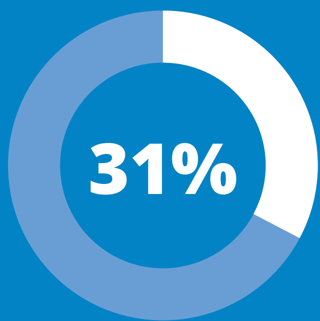


of retirees have enough money to do all the things they want in retirement



of people do not have the money to do any of the things they want in retirement



of retirees have to sell their home within 5 years of retiring due to lack of funds

TIPS FOR SUCCESS

You are ultimately in charge of your finances, and the results you get from working with an AFA depend on your commitment and understanding of the process. These tips can help you avoid some common mistakes and get the most out of financial planning:

SET MEASURABLE FINANCIAL GOALS

Create specific targets for what you want to achieve and when you want to see results. Everyone wants to be “comfortable” in retirement and see their children“ succeed”, but what do you mean by comfortable and succeed? Clear goals are far easier to aim for and measure.

UNDERSTAND THE EFFECTS OF EACH FINANCIAL DECISION

Remember, each piece of your financial life is part of a larger puzzle. For example, an investment decision may have tax consequences that are harmful to your estate plans. Or a decision about your child’s education may affect when and how you meet your retirement goals. Your financial decisions are interrelated.

RE-EVALUATE YOUR FINANCIAL SITUATION PERIODICALLY

Financial planning is a dynamic process. Your financial goals may change over the years due to changes in your lifestyle or circumstances such as an inheritance, marriage, health, house purchase or change of job status. Revisit and revise your financial plan as time goes on,so you stay on track to meet your long-term goals.

INVESTMENT NET WORTH INCREASES ON AVERAGE

300%

Faster, for those that work with an AFA professional

Creating a financial plan can both make and save you thousands of dollars

START PLANNING AS SOON AS YOU CAN

The earlier you begin, the more likely you are to achieve your financial goals. By developing good financial planning habits such as saving, budgeting, investing and regularly reviewing your finances, you will be better prepared to handle emergencies and life changes.

BE REALISTIC IN YOUR EXPECTATIONS

Financial planning cannot change your situation overnight - it's a lifelong process. Remember that events beyond your control, such as inflation or changes in investment markets or interest rates, will affect your financial planning results.

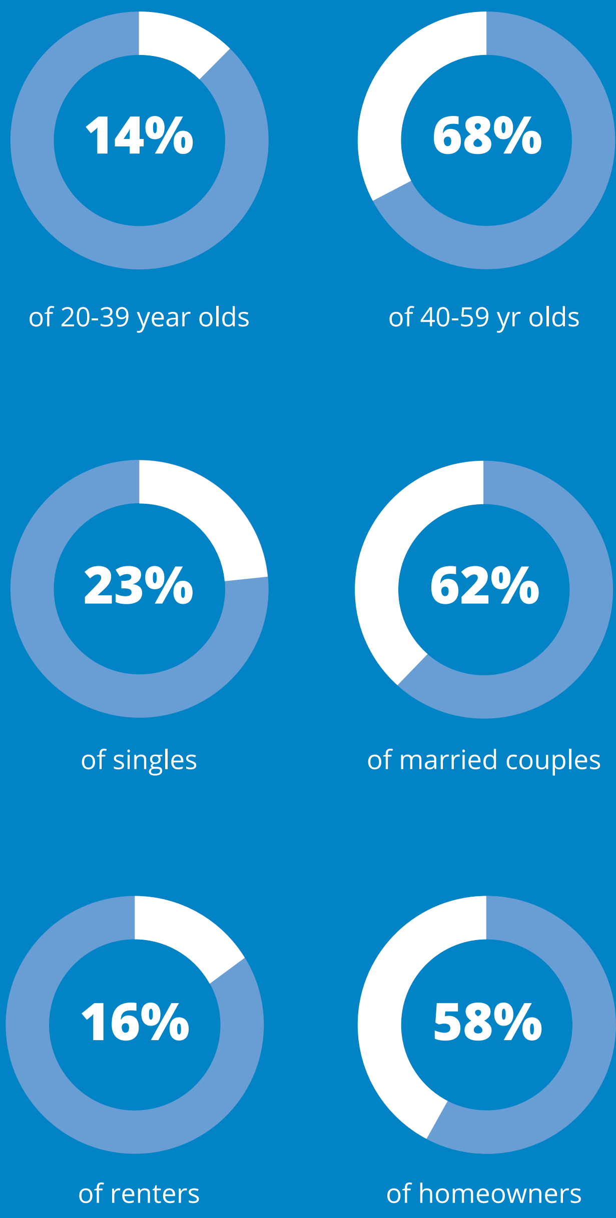
GET HELP FROM A QUALIFIED EXPERT

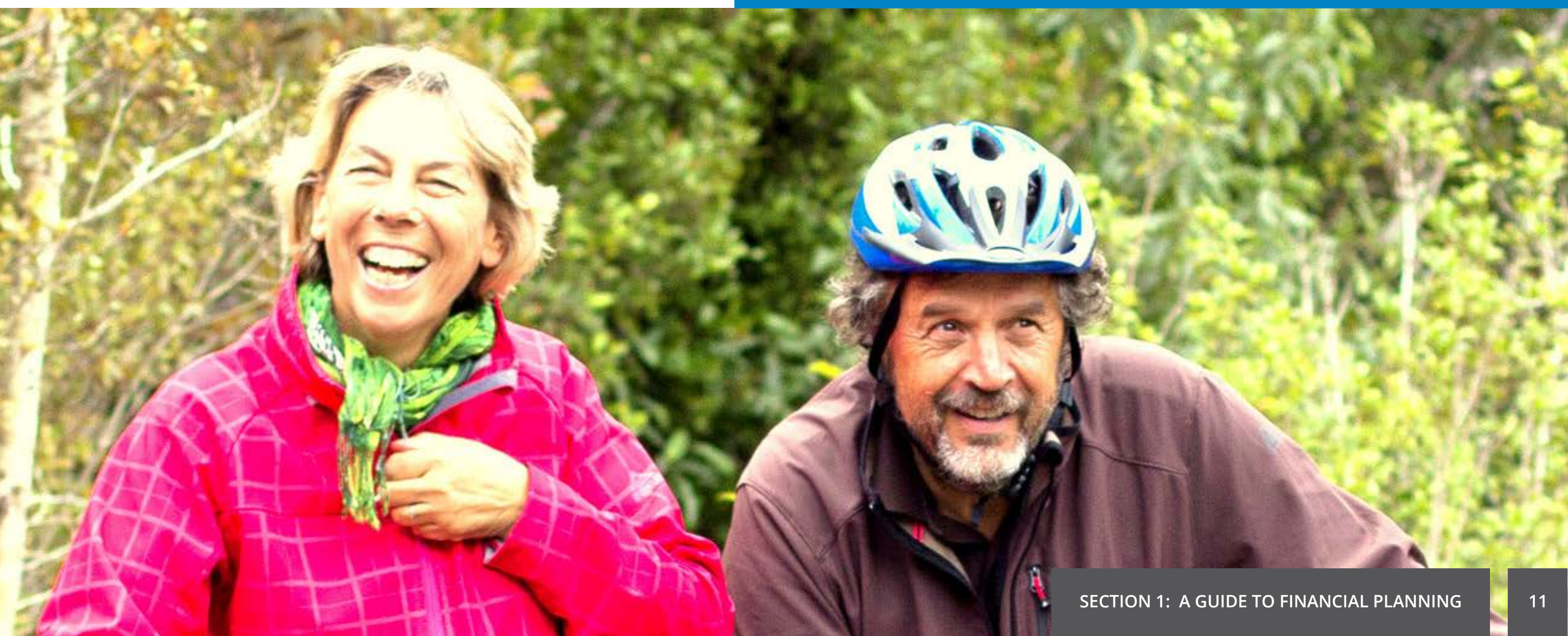
Just as you seek a doctor's expert opinion for medical issues, there are times when you need a trained professional to provide financial planning advice. An AFA professional can help you on your journey to a healthy financial future.

TAKE CHARGE OF YOUR FINANCIAL LIFE

If you're working with an AFA, be sure you understand the planning process. Provide all relevant information about your financial situation. Ask questions about the recommendations offered to you, and play an active role in decision-making.

Who has a financial plan?





HOW TO CHOOSE A FINANCIAL PLANNER

Financial planners offer different services depending on a number of factors, including credentials, licenses and areas of expertise. They also have different approaches. Some planners work as part of a team of advisors, and others work primarily on their own.

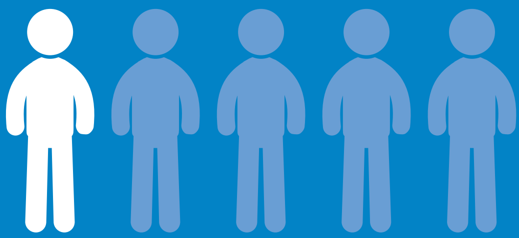
Your financial planner should be a trusted partner whom you feel comfortable with and who understands your needs. Be sure to spend some time with the people you're considering working with to ensure a good fit for you.

WHY CHOOSE AN AFA PROFESSIONAL

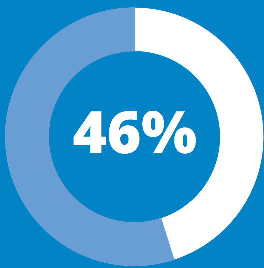
Most people think all financial advisers are "Authorised," but that isn't true. It is far easier to attain the "Registered" designation. To become "Authorised" as AFAs there are educational standards, codes of conduct, registration requirements and significantly higher compliance standards required all of which points to a high level of competency, ethics and professionalism. And because they are held to a fiduciary standard of care, an AFA professional is required to act in your best interest.

Education

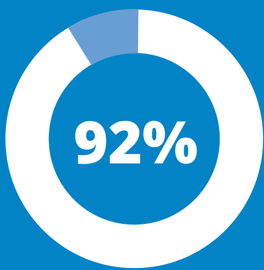
Unlike many financial advisors, AFA professionals must develop their theoretical and practical knowledge by completing a comprehensive course of study. This requirement ensures that AFA professionals are competent to advise in the areas within which they work and have completed the relevant training to ensure appropriate knowledge of the applicable legislation.



Of those with no financial plan,
1/5 say the process is too complicated



of people without a financial plan who retire still have a mortgage



of people believe their mortgage is their biggest debt & biggest bill

Examination

AFA professionals must pass personal & professional examination as required by the Financial Advisers Act 2008. This ensures that an AFA professional is qualified to develop a plan for your finances.

Experience

AFA professionals with several years of experience related to delivering financial planning services to clients are best equipped to provide financial plans. This way your AFA professional has practical financial planning knowledge, so you can count on them to help you create a realistic plan that fits your individual needs.

Ethics

When it comes to ethics and professional responsibility, AFA professionals are held to the highest of standards. They are obliged to uphold the principles of integrity, objectivity, competence, fairness, confidentiality, professionalism and diligence and to be compliant with the Code of professional conduct for Authorised Financial Advisers. The code of professional conduct requires AFA professionals to put your interests ahead of their own at all times and to provide their financial planning services as a “fiduciary” - acting in the best interest of their clients. AFA professionals are subject to regulation under the Financial Markets Authority.

6%

of Kiwis believe that NZ Superannuation alone will be enough to support them

WHAT TO EXPECT

Knowing what to expect from a financial planning relationship puts you in the driver's seat - which is precisely where you belong. To get the most out of your experience with a financial planner, you shouldn't settle for anything less than the qualities of a true professional.

Integrity

Trust is central to a successful financial planning relationship. You rely on your planner's honesty, professionalism and abilities to achieve your goals. When you know your planner takes the professional obligations seriously and places principles over personal gain, you can form a good working partnership.

Objective Advice

Your needs will be at the heart of all your planner's recommendations. An AFA professional has an ethical obligation to act in your best interest when they provide financial planning advice. Your adviser will use their experience and judgment to consider your situation carefully, and then give you information that best meets your goals. Sometimes the objectivity may require your adviser to explain that your goals are unrealistic given your current resources and financial commitments.

Competence

AFA professionals have demonstrated an appropriate level of knowledge to offer financial planning advice. The AFA Registration provides confidence that your AFA has completed rigorous education and experience requirements - including continuing education coursework - designed to ensure competence in financial planning.

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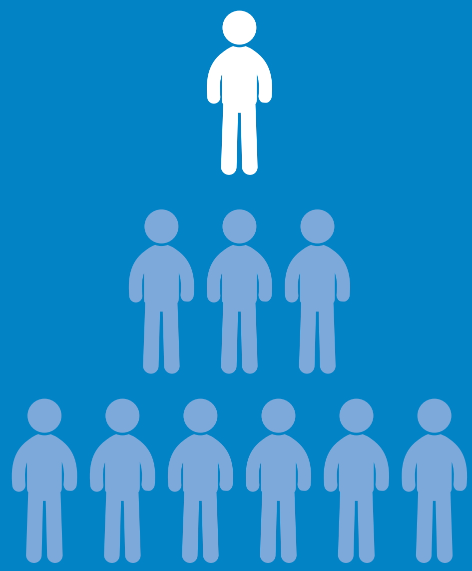


Only 1 in 10 Kiwis feel they will have enough money to deliver the sort of lifestyle they want in retirement

Fair Treatment

Fair treatment means your AFA professional will clearly state what services will be provided and at what cost. Your planner will also explain the risks associated with all financial recommendations, along with any potential conflicts of interest.

Privacy

To get the best results from your financial planning relationship, you need to divulge relevant personal and financial information to your financial planner on a regular basis. Your AFA professional will keep your information in strictest confidence, only sharing it to conduct business on your behalf, with your consent, or when ordered to do so by a court of law.

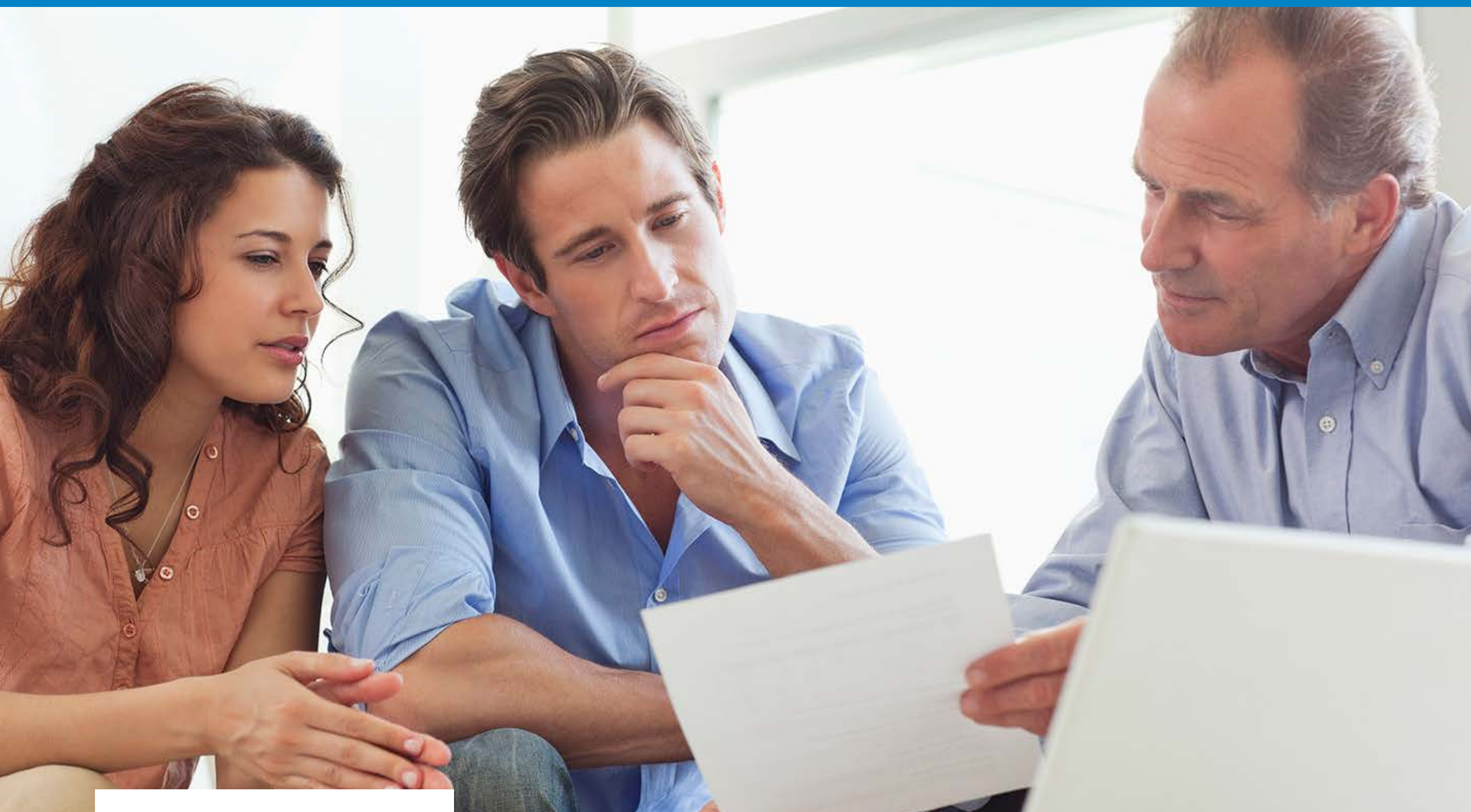
Professionalism

Your AFA professional will not provide investment advice or brokerage services unless they are suitably qualified and licensed to do so, as required by the Financial Advisers Act 2008. If your situation requires expertise which your AFA professional does not possess, they should suggest other professionals who may assist you.

Diligence

Before engaging you as a client, your AFA professional will discuss your goals and objectives and explain what you can expect from the relationship. Once your planner has determined that they (or their staff or network of related professionals) can assist you, the planner will make recommendations suitable for you. A careful planner will reasonably investigate the products or services they recommend and closely supervise any staff working with you.

REQUEST A CONSULTATION



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Info Sourced from FMA & CFFC survey into NZers planning & expectations for retirement, conducted by Colmar Brunton in April 2015 and from surveys conducted by SurePlan over the last six years.

NOTE: Some of the information in this eBook can also be found **on our website.** Other parts can be found **at CFP Consumer Cover**.

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SECTION TWO:

MORTGAGE BASICS 101

3 things your mortgage should be doing for you.....but probably isn't!

For most households, well certainly in Auckland, a mortgage is the single largest expense every month. This means putting some focus on it makes good sense, even more so as property values rise and average loan balances rise along with them.

Most people focus on interest rate – and specifically getting the lowest rate in the market. You can see this borne out in advertising from the major banks. But rate is only part of the picture; structure is absolutely the key to having a mortgage that works for you, not only to get you debt-free as soon as possible, but to also have the life you want while doing it.

My name is John Schell and I am the owner of SurePlan Financial, an Authorised Financial Adviser and Auckland Regional Chairman for the Professional Advisers Association.

In the 15 years I have been assisting Auckland families to get ahead financially 'the mortgage' is almost always in the top three issues stated by clients.

SurePlan Financial, the company I founded, has always had the goal of getting our clients mortgage free 30% faster (that's around seven years less of mortgage payments!) and we always succeed. Yes, good structure really can make that much difference! And better still that money can go towards renovations, holidays, cars or having a better retirement.

If you are like many New Zealanders who haven't yet received qualified independent advice on your mortgage, it's not too late and you could end up saving tens of thousands of dollars on your repayments and having a loan that works better for your life.

In this E Book you will learn about the three key areas where good mortgage structure can assist you:

PAYING DOWN PRINCIPAL, NOT JUST INTEREST

- Breaking for a lower rate
- Pay bonuses and inheritance
- How to set up habits to reduce loan principal

PROTECTION AGAINST INTEREST RATE RISES

- What would happen to your payments if rates jumped 3.54%?
- Deciding how long to fix for
- The structuring trick that business has used for years to protect against rate changes

HOW TO USE YOUR CASH FLOW, NOT JUST YOUR PAYMENTS, TO REDUCE INTEREST

- The power of compounding interest
- Pay check parking and saving on interest daily
- Why most people fail

PAYING DOWN PRINCIPAL, NOT JUST INTEREST

Why worry about the interest you pay? Because it's a significant amount of where your wages will end up. On an average 25 year mortgage you will pay the bank more in interest than the total amount you borrowed in the first place.

Let's look at an example where Sarah and Josh are upgrading to a new house after doing well on the last house they owned. They still need to borrow $475k from the bank and have taken this loan over 25 years, as they are 40 years old now and want to be debt free by retirement.

For this example we have used a long term average interest rate of 7.5%.

Josh and Sarah upgraded to their dream home... great!

They borrowed $475,000 when they upgraded to their current home

They are making mortgage payments of $3,497 monthly

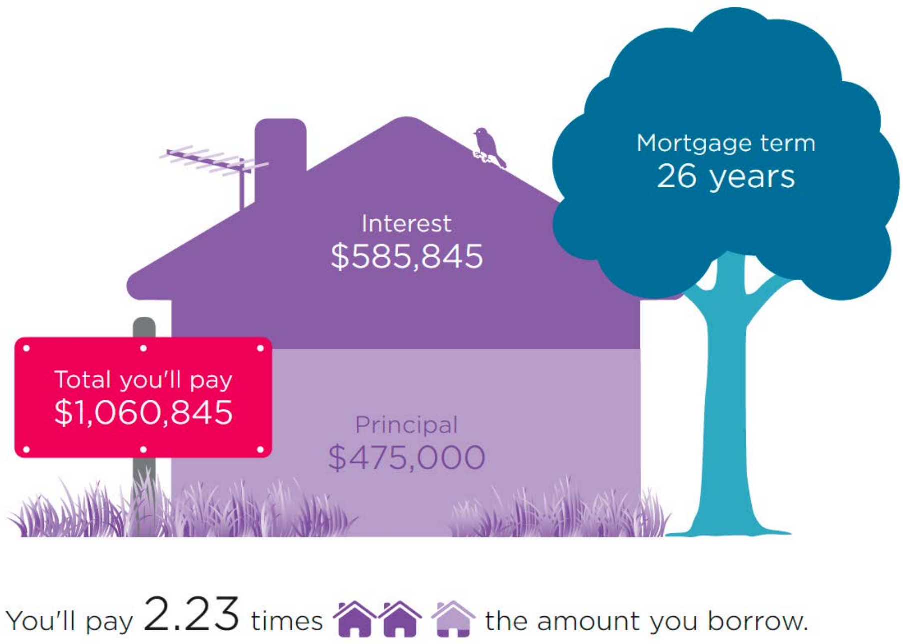
They will be debt free on their home by retirement

But...

They will pay a total of $1,060,845 back to the bank to become mortgage free

This is made up of the original $475,000 plus a whopping $585,845 in interest payments

They will pay 2.23 times the amount they borrowed, to the bank



Many people are not aware of how this really looks over the duration of their mortgage and others just accept it as 'how it has to be'. Even if you start off on a 25 year plan, there are plenty of ways to pay that off much quicker and reduce that huge interest portion, paying less for your house in the long run.

BREAKING FOR A LOWER RATE

If you have ever fixed some, or all, of your lending only to see interest rates plummet over the next weeks or months you know that unpleasant feeling of seeing banks offer lower and lower rates while you watch helplessly. Sometimes if the gap between what you're paying and market rate is significant, it makes it actually worth breaking your present deal, paying the fee and getting a better long term rate. It always depends on your personal circumstances but if you are just looking at the numbers this is how to work it out:

You will need to know:

1. The new rate you will be able to attain
2. The total interest you will pay through to the end of the fixed term
3. The total interest you will pay at the new rate, through to the end of the present fixed term
4. Any fees, break fees or other administration frees charged by the bank
5. Any cash back or other financial contributions the bank may offer
6. Any other costs that might be incurred if you are moving between banks, eg legal costs etc

In the example below Sarah and Josh have a one year fixed-term contract and an interest rate of 6.25%. They are looking to see if breaking this lending to re establish another one year fixed-term at 5.25% will put them in a better position.

Pricing Comparison between Current and New Rate

PRESENT				POSSIBLE			
Amount	**Rate**	**Term**	**Interest**	**Amount**	**Rate**	**Term**	**Interest**
$475,000	6.25%	1.00	$29,687.50	$475,000	5.25%	1.00	$24,937.50
			$ -	$ -			$ -
			$29,687.50	Early Repayment Penalty			$4,850.00
						Cash Back	$1,900.00
						Total	$27,887.50
						Savings	***$1,800.00***

In the above example Sarah and Josh are $1,800 better throughout the term of the one year fixed period.

Of course there are other considerations, like whether they have the cash flow to pay a little more upfront for longer term savings, and also the suitability of fixed terms to their personal circumstances.

PAY BONUSES AND INHERITANCE

If you are in the fortunate position of coming into some additional money: a bonus from your employer, an inheritance or maybe an investment come good, a smart thing to do is use it towards reducing the interest on your mortgage. We're not saying don't spend any on yourself - life is for enjoying - but once you've treated yourself to something small, it's really a great option to consider, to get you debt-free faster.

When people come into unexpected money, many spend a bit on themselves and put the rest in the bank - maybe on term deposit earning a couple of percent. They don't often consider putting it towards paying off their house, as they assume it's not worth paying the break fees to make an early repayment. Again your personal circumstances should always be taken into account, but if you are just looking at the numbers then here's how to work it out.

You need to know the following:

1. If you break all, or a portion of your lending, will you be fixing it at a lower or higher rate?
2. What the new rate is
3. What is the total interest you will pay through to the end of the fixed term
4. What is the total interest you will pay at the new rate through to the end of the present fixed term
5. Are there any fees, break fees or other administration frees charged by the bank?
6. Are there any cash back or other financial contributions?
7. Are there any other costs that might be incurred if you are moving between banks, eg legal costs
8. What interest rate you could earn on the money if you put it in a term deposit
9. What tax you will pay on interest earned

In the below example Sarah and Josh have a one-year fixed term at 6.25% and we have assumed a reduced interest rate of 5.25% for the new fixed term. Sarah has inherited $65,000 from the passing of an aunt and they have decided to put $40,000 towards their mortgage.

Cost benefit analysis - Early repayment

PRESENT LOAN				LOAN WITH EARLY REPAYMENT			
Amount	**Rate**	**Term**	**Interest**	**New Amount**	**Rate**	**Term**	**Interest**
$475,000	6.25%	1.00	$29,687.50	$435,000	5.25%	1.00	$22,837.50
			$-	$40,000	3.50%	1.00	$1,400.00
			$29,687.50			Tax on interest earned	$462.00
						Early Repayment Penalty	$4,850.00
						Cash Back	$1,900.00
						Total	**$24,849.50**
						Savings	***$4,838.00***

In the above example Sarah and Josh are $4,838 better throughout the term of the one year fixed period by depositing $40,000 of their inheritance into their fixed lending.

There are other considerations including other investment options and suitability to their wider life circumstances, which would contribute to their wider decision.

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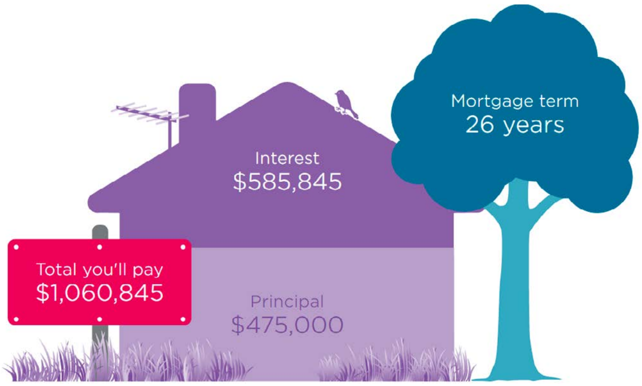
HOW TO SET UP HABITS TO REDUCE LOAN PRINCIPAL

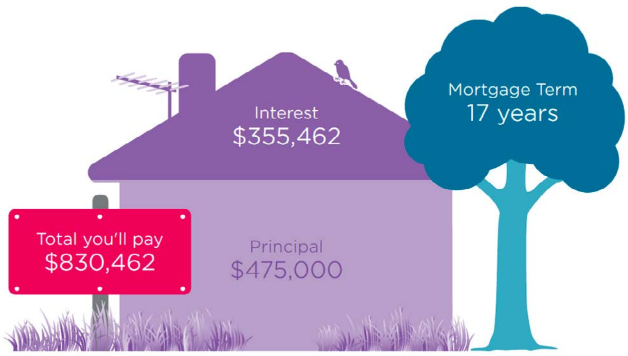
It's surprising how little additional capital repayments can make a significant difference to the term of your mortgage. It's easy to forget to increase those regular payments when you can, but if you try and form a habit around early repayment of principal, plus keep checking those figures so you can get excited about seeing that debt figure go down, it's not that hard. Form that habit and it will become part of your life.

Remember Sarah and Josh and the 25 years they will take to pay off their mortgage.



You'll pay 2.23 times the amount you borrow.

Let's say that Sarah gets a pay rise, and Josh finishes with a short term debt that he has been focusing on paying off. They now have an additional $150 per week they did not have before and could put towards paying off the principal on their mortgage.



You'll pay 1.75 times the amount you borrow.

If they do this, Sarah and Josh could be debt free in 17, rather than 25 years, saving a full eight years of mortgage payments. That money could now go into investments or lifestyle.

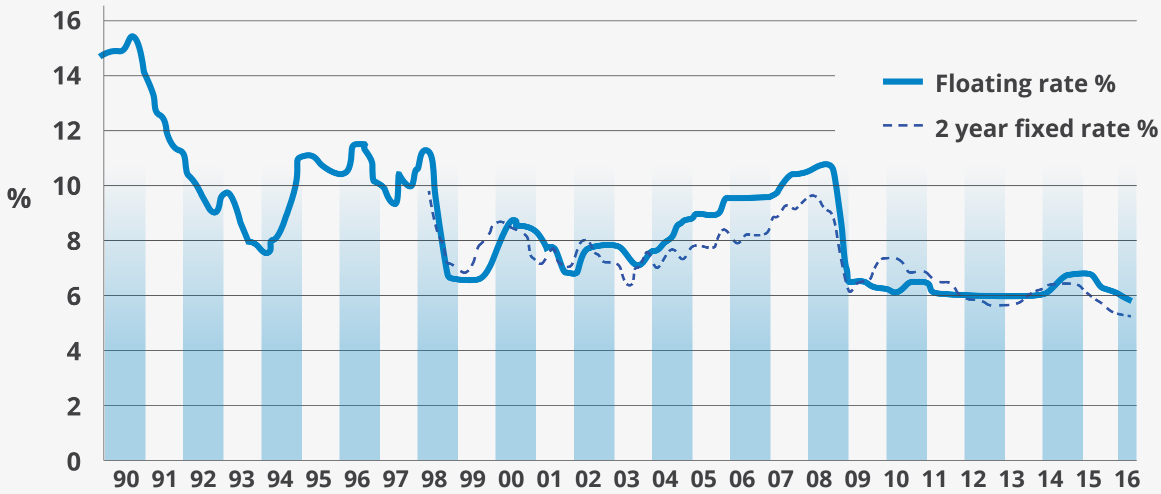
In addition they will save $231,008 in interest payments just by putting that additional $150 per week into repaying capital.

It is easy to get in the habit of spending more as you earn more; however getting excited about seeing your mortgage term going down can be very rewarding and making a habit of putting additional money towards capital repayments can be very valuable.

PROTECTION AGAINST INTEREST RATE RISES

Mortgage rates are presently in the low 4 -5% range and these are historically low levels. It is worth remembering that rates have not always been this low, and that history tells us that at some stage they will go up. What impact would it have on your life if all of your lending was at 7%, 8% or even 10%?

In the last 25 years, floating rates have been above 15% and most economic commentators are predicting the period of low interest rates is here for the immediate future.



Source: RBNZ. The rates are those offered for new customers

Even if this is the case, we believe that when looking at the above data from the Reserve Bank of New Zealand it is prudent to have a plan in place, in the event of interest rates increasing.

Let's take a look at our example Sarah and Josh. They still have $470,000 left on their mortgage and it will be paid over 24 years. They are 41 years old and looking to be mortgage-free by the time they hit 65.

Presently they have a rate of 4.15% for one year, and their mortgage payments are only $602 per week.

WHAT WOULD HAPPEN TO YOUR PAYMENTS IF RATES JUMPED 3.54%?

For Sarah and Josh that would increase their interest rate to 8.15% and they would either need to increase their payments or the term of their loan.

They could keep the term of their loan at 24 years by increasing their weekly payment from $602 to $858, an increase of $256 per week. This might be hard and could require cutting back in some other areas.

The other option is they could keep their payments the same and could increase the term of their loan but even by pushing their loan out to 30 years (six years after their planned retirement) they would only reduce the payments to $807 per week, still $205 more than they were originally paying.

Sarah and Josh would probably find it a little hard if rates were to change overnight, but with a couple years to get used to the new payment levels they, like most people, would adjust their lifestyles and find a way to make it work.

DECIDING HOW LONG TO FIX FOR

In New Zealand, a large proportion of our residential mortgage debt is either floating or fixed on relatively short, 1 – 3 year, timeframes. Conversely if you look at countries like the United States, a large proportion of mortgages are fixed for long timeframes like 30 years.

Fixing long or short both have advantages and disadvantages.

In the New Zealand context we are going to talk about long term fixing as 3, 4 and 5 years. By fixing for these periods you can budget and create certainty on the level of mortgage payment due each week or month. This can be a good strategy for those who can take the risk of a big jump in interest rates, when that term ends, as by then their total will be low enough to cope with a much higher rate.

In more recent times there has been an interest rate premium paid to fix for longer rather than shorter periods of time. So there is a cost to fixing for longer periods to create certainty of interest rate.

In time periods where interest rates rise to beyond where the fixed rate sits for that period, you can be paying below the market rate. However it is wise to put money aside during these times as if the rates stay high, eventually your fixed rate will expire and you will be at market rate.

Conversely if you have fixed your rates and the rates have subsequently dropped, you will be paying above market rate. This means you will be paying above market rate for the period of your fixed term and there are disincentives for you to break this lending. Break fees are usually only applied to the scenario where interest rates have fallen subsequent to your taking out a fixed term loan.

THE STRUCTURING TRICK THAT BUSINESS HAS USED FOR YEARS TO PROTECT AGAINST RATE CHANGES

When protecting against interest rate change, the key factor is the pace of the change itself. This is because not having the time to adjust to changes in cash flow can have hugely negative impacts, in the worst case resulting in forced sales. Changes to cash flow can be managed, provided the lead in time is long enough.

In business, a certain type of lending structure has been used for many years to minimise these risks, but the residential mortgage market seems to have for the most part, missed out on this technique. This structuring is called tranching and is widely recommended to SurePlan clients where cash flow stability is a critical part of their financial strategy.

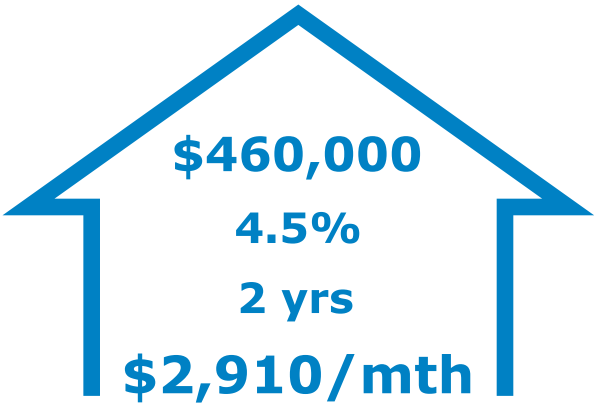
Let's look again to Sarah and Josh:

They now owe $460,000

They are paying 4.5%

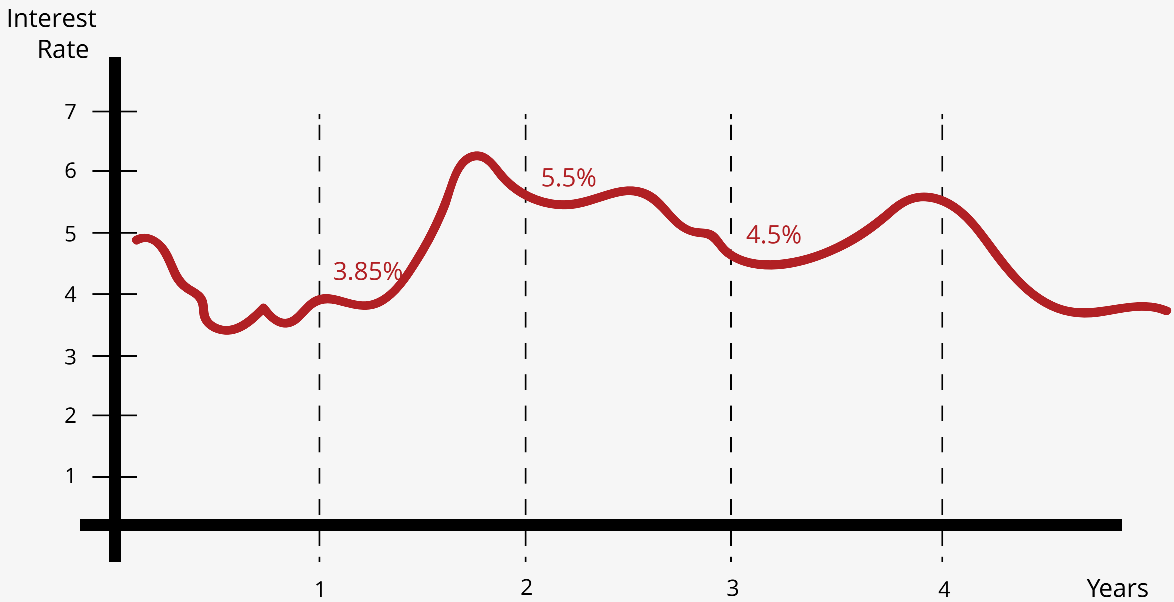
Their term is 20 years

They are paying $2,954 per month



If in two years when their lending of fixed rates is significantly higher, they risk the whole $460,000 coming on to the new rate.

In the example below this would mean their interest rate would jump from 4.5% to 5.5% on that day. This would take their monthly payment from $2,954 to $3,233 overnight, an increase of $279.



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Let's look to tranch Sarah and Josh's loan:

They now owe $460,000 split into three equal parts

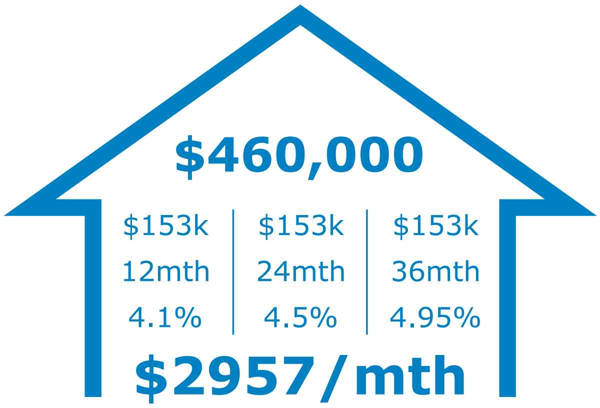
$153 fixed for 12 months at 4.1%

$153 fixed for 24 months at 4.5%

$153 fixed for 36 months at 4.95%

Their term is 20 years

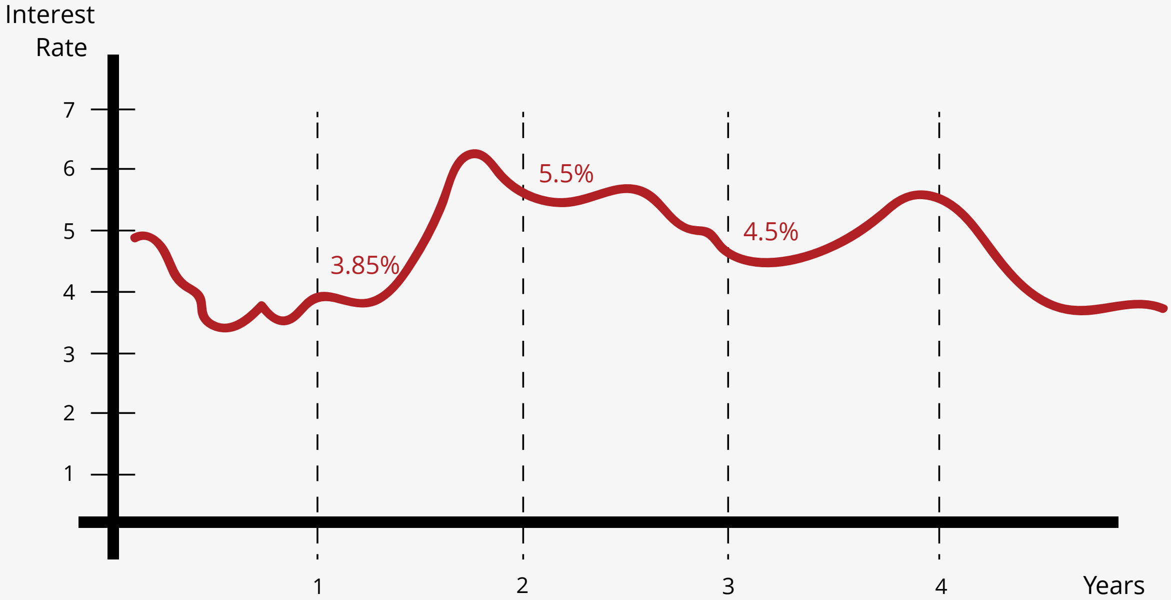
They are paying $2,957 per month



This tranch structure controls the amount of lending that is exposed to any large change in interest rate. It has the effect of putting a buffer between Sarah and Josh and what is happening with interest rates. This works because in any 12 month period, only one third of their lending comes off the fixed rate.

When each tranch of the loan comes off fixed, and on to floating, it is then fixed for the next timeframe. In this case it will be fixed for three years. This way, the structure always has a one, two and three year tranch.

The effect of utilising this method is that the highs and lows are taken out, and a more stable or 'average' interest rate is produced. This increases predictability in cash flow enormously.



Where the total dollars involved are larger, or where the ability to cope with changes in the costs to service a loan are low, this is a key strategy that holds strong benefits. However the reader should note that this is a small part of a larger and more complex set of variables and advice from a qualified professional should be sought to minimise changes of financial loss.

The suitability of this strategy for your circumstances should be assessed in combination with your wider personal circumstances and needs.

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HOW TO USE YOUR CASH FLOW, NOT JUST YOUR PAYMENTS, TO REDUCE INTEREST

The word mortgage is derived from a "Law French" term used by English lawyers in the Middle Ages meaning death pledge. It refers to the pledge ending (dying) when either the obligation is fulfilled or the property is taken through foreclosure. (Wikipedia)

For centuries it has been known that compounding interest is a force to be reckoned with. Einstein called it the eighth wonder of the world. Most people know that it's the key reason we pay back so much more than we borrow on our original 25year mortgage loan.

But all too few people set up their lending in a way that minimises their interest costs and constrains the effects of compounding interest. The great news is you can do this, and save significant amounts of interest, becoming mortgage free faster.

THE POWER OF COMPOUNDING INTEREST

What is compounding interest:

Compound interest is **interest** calculated on the initial principal and also on the **accumulated interest** of previous periods of a deposit or loan.

Let's revisit Sarah and Josh, they now owe $452,000. Each day the bank will calculate the interest they owe on the money they have borrowed. Instead of paying this daily, Sarah and Josh will only pay that bill once a month and in the mean time, the bank just adds it to the amount they have borrowed. But they get charged interest on that interest, added to the original principal sum.

Compounding interest Example

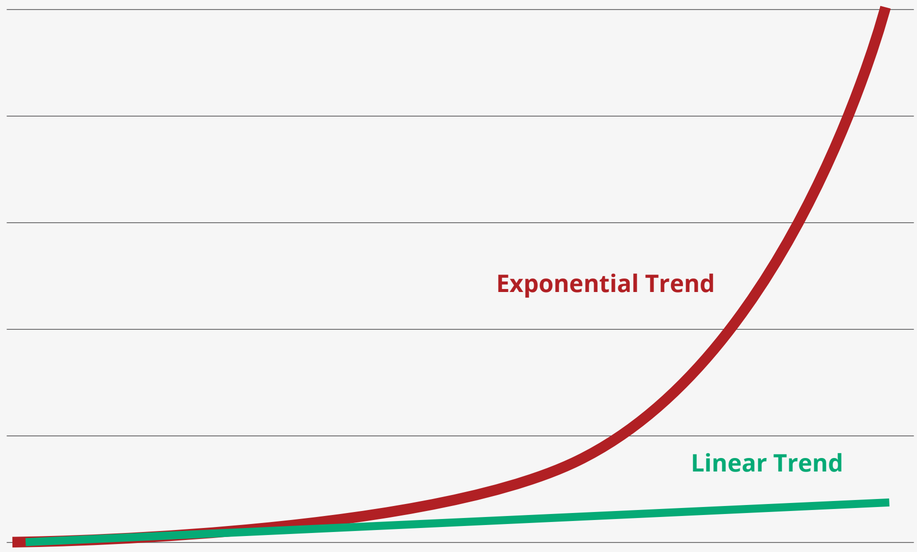
Day	Sum owed	Interest rate	Daily interest
1	$452,000.00	4.50%	$55.73
2	$452,055.73	4.50%	$55.73
3	$452,111.46	4.50%	$55.74
4	$452,167.20	4.50%	$55.75
5	$452,222.95	4.50%	$55.75
6	$452,278.70	4.50%	$55.76
7	$452,334.46	4.50%	$55.77
8	$452,390.23	4.50%	$55.77
9	$452,446.00	4.50%	$55.78
10	$452,501.78	4.50%	$55.79

The key here is that although it does not look like much over a short period of time, this interest on your interest on your interest on your interest really adds up.

Here is an example to help you understand

Let's buy something small like a car park for $50,000. You have a 50 year loan at 10% interest and, just like your mortgage, the interest is calculated daily. You don't need to make any payments for 50 years! Just one lump sum at the end and the car park is yours. How much would the final payment for that car park be?

Do you think it would be around $90,000, $250,000, $500,000, $1,000,000 or even $2,000,000? Have a guess and the answer is below.



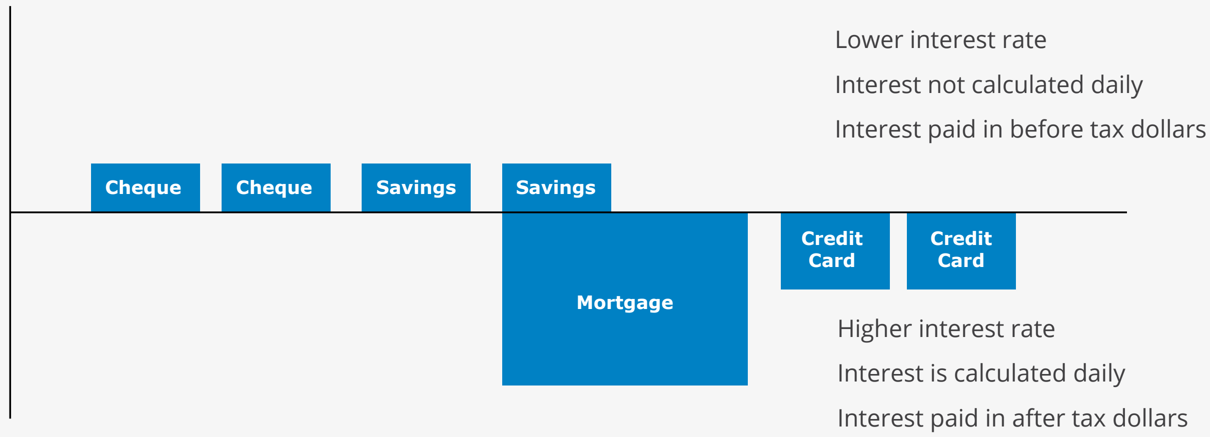
Most people don't get even close with their guess so if you are in that camp you, are in good company. It's really hard for our brains to fathom clearly how compound interest actually looks. The green line is where we intuitively think the number will end up. So for the example above, if you borrowed $50,000 for 50 years and each year you paid 10% interest but there was no compounding you would pay a total of $250,000 in interest, the green line or Linear growth. But with those same numbers and compounding growth the total is $7,415,578 - the red line.

The great news is that with a bit of advice and correct structuring, you can work this in your favour.

PAY CHECK PARKING AND SAVING ON INTEREST DAILY

You probably have your income paid into a cheque or savings account and if you think about how your bank account structure has grown over the years, it was probably what you might call 'organic', rather than intentional.

Let's look again at Sarah and Josh who have a pretty typical if simple account structure.

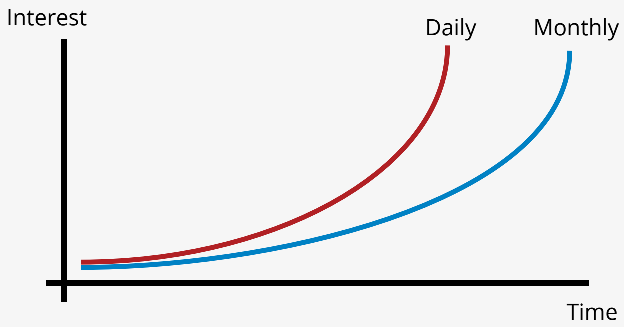


They have a couple of cheque accounts, one which has their pay going into it. A couple of savings accounts, one to give them a safety net for a rainy day and the other where they put any surplus money for things like holidays etc. They also have a mortgage they make the payments on each month and a couple of credit cards that are usually paid in full at the end of each month.

What Sarah and Josh don't realise is this structure is costing them in increased interest payments, higher tax and will ultimately result in years being added to the time it could take them to be mortgage-free.

There are three key areas where this account structure is costing them:

1. They have money in savings and cheque accounts on very low rates of interest while at the same time having lending in a mortgage account at a higher rate of interest. Straight away they are being charged more on their mortgage debt than they are getting paid on their cheque or saving balances.
2. The interest they are earning is usually being calculated less frequently than the interest they are being charged. This changes the shape of the compounding curve.



3. Any interest paid on the mortgage lending has had to be earned, and the tax paid on it. Conversely any money deposited in the cheque or savings accounts is earning interest that then has to have tax paid on it. So in this case, a dollar earned is actually worth less than a dollar saved.

There are banking account structures that do not have these shortcomings and actually work to make the best use of your savings and cash flow. They have different functions and names, but with the correct structuring and support can all produce some pretty astounding results.

Overseas they are often referred to a HELOC or Home Equity Line of Credit and in New Zealand and Australia they are referred to as either Offset or Line of credit.

The disappointing thing is that in most cases, people who employ these account structures actually do not make any progress getting debt free, and usually pay more interest than they would have with a standard loan.

WHY MOST PEOPLE FAIL

Anecdotally, nine out of ten people fail to retire principal faster by utilising line of credit or offset mortgage account structures. Many people not only fail to improve the situation but often do themselves financial damage, getting into even more debt and feeling they are out of control. So what is going on?

The top three most common mistakes:

1. **Not understanding your day to day cash inflows and outflows.**

   The crucial factor with any of these tools is that you spend less than you earn. It might seem obvious, but debt does not get repaid when you are taking out more money than you are putting in on a monthly basis.

   With SurePlan clients, we devote significant resource and support to achieve a surplus each month. This includes, analysing past spending, setting budgets, tracking progress, easy to read reporting and ongoing email, phone and in person support.

   Keeping track of your money is not the most glamorous part of your finances but it is the most important.

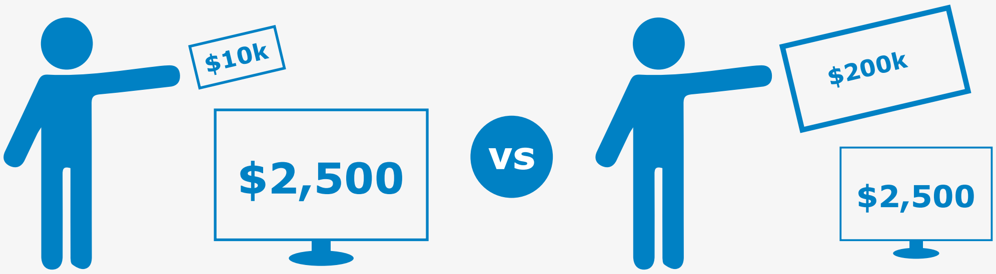
2. **Not keeping minimum payments at previous levels.**

   Often people make the mistake of throwing the baby out with the bath water or going 'all in' with these tools. They do not work best that way, and it leaves you open to failure if you do not implement a whole new set of behaviours from day one.

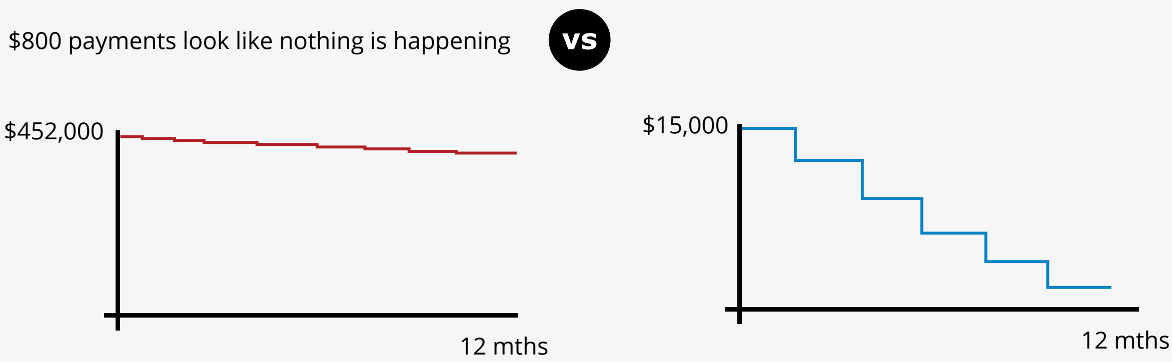
   The safest way to transition to a new structure is to keep making the payments you are making already. You save interest by setting up accounts to allow you to pay more when you have it and to gain the advantages of having your cash flow sitting in your mortgage account rather than a cheque account. This means you can start seeing benefits immediately, without the risk.

3. **Setting balances at the wrong levels.**

   There are two key mistakes made here. The first one is that too much credit is made available and this can change spending patterns. This can be devastating for many people. Going from a credit card with a $10,000 limit to a line of credit with a $200,000 limit has a psychological effect of making purchases seem smaller. It is a well-researched fact that we make judgments by comparison and when you are comparing a purchase to a far larger number, it just seems smaller. We see great success with setting limits to just what is needed according to a pre-set plan and where the limits are in line with what clients are already used to dealing with.



The second big mistake is setting balances to pay off at high levels. If we look at Sarah and Josh again if they were to turn their whole $452,000 loan into one of these tools it would be hard to see progress. Even if they were paying an additional $800 per month to reduce principal they would only be seeing their balance go down at a very slow rate. Again this is because the $800 is being compared to $452,000 a much larger number. We see clients have great success using smaller sums to pay off. For example Sarah and Josh could look at $15,000 to pay off in 12 months. That way when they make the $800 payment each month they are seeing a meaningful decrease in their target of $15,000 in 12 months.



REAL CLIENT EXAMPLES

The names have been changed to protect the privacy of the clients below but they, the data, and the results are real.

Rachael and Simon have two children under five and plan to stay in their current home for the foreseeable future.

They have a combined income of a little over $150,000 per year and have a total of a little over $120,000 left to pay on their mortgage.

When they came to see SurePlan, based on their current loan structure and payments they were looking to be debt free in approximately nine years.

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It is now less than three years later and they will be debt free on their home in the next couple of months. They have saved over $20,000 in interest and will be debt free six years sooner than expected.

When debt free they plan to put the money that is going towards their mortgage, towards paying off their first investment property which they purchased two years ago.

By investing wisely and repaying debt, their net worth has increased by over 50% in the last three years.

SUMMARY

You can reduce the term of your mortgage significantly with the right advice and support.

Most people who try to do this on their own, without support, get mixed results at best and many cause themselves financial harm.

TESTIMONIALS

“SurePlan have helped us to understand that there are lots of options in terms of mortgage structure and different ways to invest and save“

Ben and Rebecca Hayes

“When you have car trouble, you book in to a mechanic, if you’ve got toothache you see a dentist, if you have a leaky tap you call a plumber. More people need to start seeing what SurePlan does as the same sort of thing for money. If you want peace of mind about your finances, sit down and have a chat with these guys… you’ll be glad you did.”

Glenn Poole – Te Atatu Peninsula

“Before talking to SurePlan I was already good at saving, the difference now is that my saving is getting me to my goals faster. I was pretty apprehensive about talking to someone about my finances, but it’s been very good and I would recommend that people take a look at what a plan can do for them.”

Nick Eathorne – Royal New Zealand Navy

“To anyone thinking of making an appointment with Sure Plan we’d say: absolutely give it a go. It costs nothing to have a look, so what have you got to lose? We’re really happy we did. We’re in a far better position now than we were a year ago thanks to the work these guys have done with us.”

Wayne & Raewyn Hunter

BOOK A NO OBLIGATION FREE APPOINTMENT NOW

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SECTION THREE:

PROPERTY INVESTMENT BASICS

PROPERTY INVESTMENT BASICS

Investing in property can be an exciting and profitable experience, but not everyone wins and to succeed you have to do your homework.

You need to know:

- Is property the right investment choice for you?
- What do the numbers look like?
- What research should you do before you buy?

IS PROPERTY THE RIGHT INVESTMENT CHOICE FOR YOU?

Firstly, you need to be clear on what type of property investment you are talking about. Residential, commercial, development, trading, long term hold and many more.

Here we are just going to focus on residential property under a long-term hold strategy. This strategy is seen as one of the most accessible and safest approaches to building wealth through property.

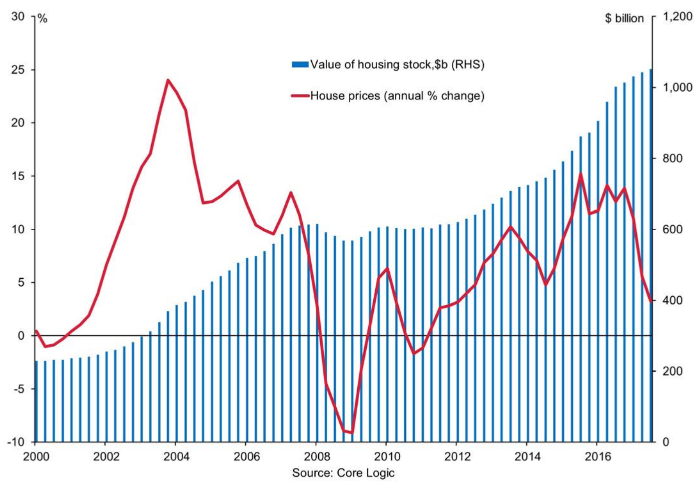
However even a long-term hold strategy, with its high level of accessibility, is not the right answer for everyone.

Let's take a look at how it works.

As good place to start is with the Reserve bank data.
www.rbnz.govt.nz/statistics/key-graphs/key-graph-house-price-values

The blue shaded area is the total value of housing stock in New Zealand. You can see it pretty much goes up but not always. Any time you see the red line dip below zero it means that house prices are actually going down. So if you bought in late 2007 and you sold in 2009 the value of your investment would have gone down and you would have taken a loss on the value of the asset. However, if you had held on to that property and not sold, you would have made a gain on your asset value. As a matter of fact, if you hold a quality property for at least 10 years you will, according to recent history, have always made a gain.

HOUSE PRICES & VALUE OF HOUSING STOCK



So, is a long term hold residential investment strategy right for you? Well you willdefinitely minimise your risk if you are planning to hold the property for at least 10 years, as you can take out some of the market volatility factor. However, in order for your plan to have any substance, you need to know you can afford to hold on to the property and that comes down to affordability and ensuring that the bank won't make you sell (presuming you have borrowed to purchase). You will need some advice to work through the process of getting a clear idea of this, but to start with you need to be asking questions about: loan to value ratios, how much it will cost to hold on to the property, how secure your income is, what you would do if you lost your income - and that's just the part that relates to you.Itis really worth getting some expert advice to work through these issues.

In addition to your situation, there are also questions about what risks and costs you may have with specific properties - both from a purchasing and owning perspective. Below are some things to think about.

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PURCHASING DIRECT PROPERTY

PURCHASE COSTS:

There are many purchase costs associated with direct property. These may include:

- Time and cost of searching for a suitable property
- Inspection reports (eg structural and/or pest inspections)
- Legal and conveyancing fees
- Loan establishment costs and any valuation reports

LOCATION, LOCATION, LOCATION:

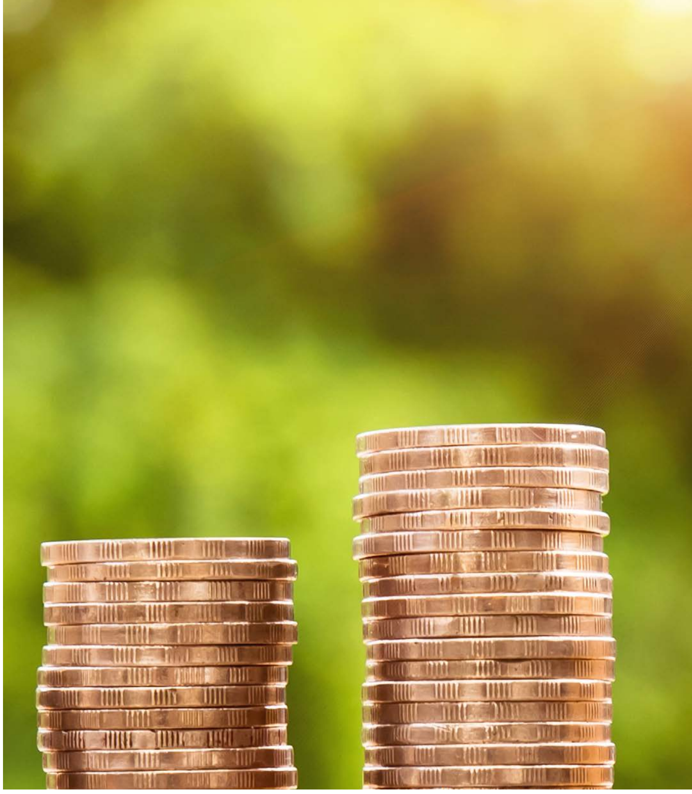
The character and location of a property can have a substantial influence (positive or negative), on the current and future desirability of the property to purchasers and/or tenants. It is also important to know the area in which a property is located, and to determine what future developments may be planned nearby which could impact on its suitability (new highways, rubbish tip, high-rise developments etc).

TIMEFRAME:

Direct property should be viewed as a long-term investment. This is due to the potential short-term volatility that the direct property market (and/or specific locations) may experience. There are also ongoing and sale costs associated with investing in property, which may take time to recoup.

OPPORTUNITY COST:

When investing into direct property, you forego the opportunity to use that money to invest into other types of investment. Your loss is the return you would have gained by investing in the next best alternative.



OWNING DIRECT PROPERTY

RISKS VERSUS RETURN:

The return on direct property is impacted by various risks: those affecting income and those affecting growth. The income you receive will be a matter of the demandvs supply for property in the area in which the property is located. And in terms of capital growth or loss, this is again a matter of location and condition of the property. Location can mean city, town or even suburb. Also, income will generally be influenced by the condition of the property.

One of the other key factors that can influence or affect returns is interest rates.

LACK OF DIVERSIFICATION:

No one type of security, assets class, or investment strategy provides the best performance over all time periods. Having “all your eggs in one basket” is not ideal and a well-diversified portfolio is generally agreed to give you the best protection from market risk over time.

LACK OF LIQUIDITY:

Unlike many other investment types, it is generally not possible to sell a part of a direct property if you find yourself short of cash. As a result, direct property is an inflexible asset. If you were to decide to sell a property, there is usually a lengthy time-delay between making the decision tosell and actually receiving the sale proceeds.

PROBLEMS WITH TENANTS:

There are likely to be periods where a rental property is untenanted, meaning that no rental income is received for that period. Tenants may also damage the property, and may pay the rent late - or not at all. This can be mitigated by using a good local rental agent and landlord protection insurance.

ONGOING COSTS:

There are ongoing costs associated with direct property. These include:

- Maintenance and repair of existing structures and fittings, both internal and external
- Body Corporate fees (also the time required to attend Body Corporate meetings ,if applicable)
- Agent fees (where an agent is used to secure a tenant and/or manage the property).
- Time devoted to managing the property. Even when paying an agent to take on some of the day-to-day responsibilities, the owner still needs to be involved in many aspects of managing the property
- Council rates, other taxes (where applicable)
- Loan interest, repayments and fees
- Insurance

IMPROVEMENTS:

From time to time, you may choose to make capital improvements - for example a deck or new bedroom - which may increase rent, or help to maintain or increase the value of your property over time.

LEGISLATIVE WORK:

The taxation rules relating to investment properties currently allow the claiming of certain deductions and depreciation which may make property investment more attractive to some investors. There is no certainty that these potential tax benefits will continue into the future, as the relevant legislation may change over time.

INTERNATIONAL PROPERTY:

Where international property is being held or considered, it is important to be aware of any applicable international tax laws, residency issues and currency risks before you proceed with this advice.

WHAT DO THE NUMBERS LOOK LIKE?

There are a lot of variables to take into account with a long-term investment strategy. How much is the property going to go up in value? How much will the rent and expenses go up? What will happen with interest rates, tax and more? For this reason, software is commonly used to bring this all together in an easy to read format. Property investment analysis software can make it a lot easier to understand an investment, before you commit to purchasing it.

Do bear in mind that analysis is also needed on the purchase process and that the numbers you get with any analysis are only as good as the numbers you put into the software.

Here is an example of a report that might be run on a property once it has been built and tenanted.

SurePlan Financial - Auckland

PROPERTY INVESTMENT ANALYSIS (DESCRIPTIVE)

19-Apr-2018

Prepared for:	Mr & Mrs Smith
Consultant:	Michael Allen
Property:	Example property
Description:	4 bed, 2 bath, 2 garage

SUMMARY

Assumptions		**Projected results over**	**20 yrs**
Property value	$650,000	Property value	$2.515m
Investment	$0	Equity	$1.862m
Gross yield	3.88%	After-tax return /yr	20.30%
Net yield	2.47%	Net present value	$1.134m
Growth rate	7.00%	**IF SOLD**	
Inflation rate	2.00%	Selling costs	$71,406
Interest rate	4.85%	Equity	$1.790m
Taxable income	$185,000	After-tax return /yr	20.00%

COMPUTER PROJECTIONS

Investment Analysis		**Projections over 20 years**				
End of year	2017	1yr	3yr	5yr	10yr	20yr
Property value	$650,000	695,500	796,278	911,659	1.279m	2.515m
Purchase costs	$3,000					
Investments	$0					
Loan amount	$653,725	653,725	653,725	653,725	653,725	653,725
Equity	$-3,725	41,775	142,553	257,934	624,923	**1.862m**
Capital growth rate	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Inflation rate (CPI)	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Gross rent /week	$510	25,194	26,212	27,271	30,109	36,703
Cash deductions						
Interest (I/O)	4.85%	31,706	31,706	31,706	31,706	31,706
Rental expenses	34.37%	9,116	9,484	9,867	10,894	13,280
Pre-tax cash flow	$0	-15,627	-14,978	-14,302	-12,490	-8,282
Non-cash deductions						
Deprec.of building	0.00%					
Deprec.of chattels	$18,900	4,725	2,658	1,495	355	20
Loan costs	$725	725				
Total deductions		46,271	43,847	43,068	42,954	45,005
Tax credit (single)	$185,000	6,955	5,819	5,212	4,239	2,739
After-tax cash flow	$0	-8,672	-9,159	-9,090	-8,251	-5,543
Rate of return (IRR)	**20.30%**	**Your cost /(income) per week**				
Pre-tax equivalent	30.30%	**167**	**176**	**175**	**159**	**107**

Disclaimer: Note that the computer projections listed above simply illustrate the outcome calculated from the input values and the assumptions contained in the model. Hence the figures can be varied as required and are in no way intended to be a guarantee of future performance. Although the information is provided in good faith, it is also given on the basis that no person using the information, in whole or in part, shall have any claim against SurePlan Financial - Auckland, its servants, employees or consultants..

In the above example you can see the purchase price is $650,000 and that property rents for $510 per week. 34.37% of the rent received is taken up with rental expenses and an interest rate of 4.85% is being used to calculate interest expense. The income that is used to generate the tax savings, (which in year one are $6,955) is $185,000. There is a lot more going on behind the scenes but the key things you might want to notice are the figures down the bottom in the box 'Your cost/(income) per week. This is how much the owner will have to top the property up by each week.

Also, you might want to see that the $650,000 property growing at 7% will be worth $2,515,000 in 20 years.

WHAT RESEARCH SHOULD YOU DO BEFORE YOU BUY?

Because it is so important you make a good decision to buy a quality property in a quality location, a thorough and disciplined research approach is essential. By the time you are assessing the merits of an individual property the following things should have been considered.

ESTABLISHING CLEAR INVESTMENT OUTCOMES:

- Yield
- Growth
- Dwelling type
- Cash flow implications

OPPORTUNITY IDENTIFICATION:

- Location identification
- Market segments
- Potential availability assessment

IDENTIFICATION OF PRODUCT PROVIDERS (LAND AND BUILDING):

- Identify partners and establish feasibility of supply
- Negotiate preferential terms for client purchase
- Background check product providers
- Investment product design consultation process

INTERNAL RESEARCH AND FACT VERIFICATION PROCESS:

- Geographic locations researched
- Demographic and trend analysis
- Service provider appraisals and quotes
- Trend analysis and projections
- Verification of provider-introduced information

THIRD PARTY REPORT AND/OR PEER REVIEW PROCESS:

- Registered property valuations are commissioned to provide advisory reports verifying values.

Although these steps do not ensure a safe and predictable outcome, you are certainly far more likely to be successful if you take the time to do them, than if you don't.

Because the sheer volume of work, it is not uncommon for a property sourcing company like Actuate invest (www.actuateinvest.co.nz) to be engaged to help with this part of the process.

SECTION FOUR:

WILLS & ESTATE PLANNING

Why having a Will and Enduring Powers of Attorney is an essential part of your financial plan

WILLS & ESTATE PLANNING

It's a difficult time when someone you love dies. It's hard for the individuals, and it's tough on the family as a unit. Ideally, at moments like this, what everybody wants to focus on is coming together as a family and sharing great memories of the person who has passed. That's what everyone wants to happen. Unfortunately, things don't always pan out that way, and it's usually because the right things aren't in place.

In this ebook, we are going to look at three key critical areas that having your estate planning (and especially your wills) up to date can positively or negatively impact:

1. Maintaining family relationships and having the experience where everyone comes together and appreciates the life of the person who has passed away.
2. The financial costs (particularly legal fees) involved when these events occur.
3. The amount of time it takes to release assets and to have these financial issues resolved.

Estate Planning is often overlooked during personal financial management

Of those with no estate plan:

17% claim they do not have enough assets for an estate plan.	**17%**
9% do not want to think about dying or becoming incapacitated.	**9%**
8% believe their estate will be taken cared of appropriately.	**8%**
7% do not know what an estate plan is.	**7%**

Elements of an Estate Plan

A Will:

Assignment of power of attorney

- Dying intestate (without a will) is costly and gives the government power over your assets

A Trust:

You decide how assets will be distributed after your death

- Lower estate and gift taxes
- Some protection from creditors and lawsuits
- Bypasses the cost, delay, and publicity of probate court
- You still need a will to cover holdings outside the trust

A Living Will or Heath-care Proxy

(Enduring Power of Attorney)

Why does anyone need a will?

People mainly use them to write down family members to be provided for if they die, and how they would want their assets distributed. Wills also let you specify someone you would like to look after your kids or to leave special gifts and meaningful things to people or organisations you choose. They can include special instructions for a funeral, and they typically name the person who will carry out your wishes. If you don't have a will, or if it is not valid for some reason, what you would like to happen may not occur in reality,and could put your families into legal and financial difficulties.

Here at SurePlan, we have clients that are moving through all life's stages. Inevitably that means that on occasion they lose loved ones, whether that's siblings, children or parents, death is one of the unfortunate realities of life.

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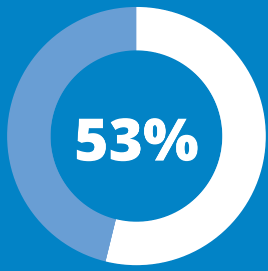
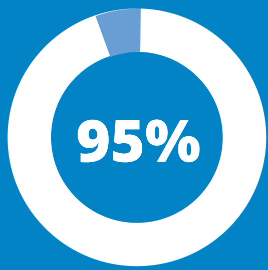
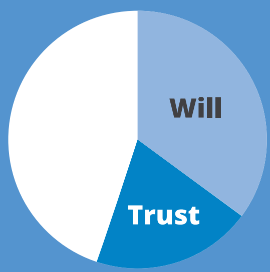
Estate Planning Statistics



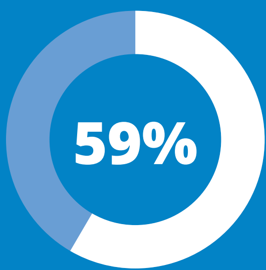
of New Zealanders are concerned with protecting their financial assets



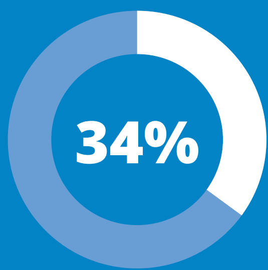
want their property transferred to the person they choose



But only 35% have a will. 21% have a trust



of baby boomers (age 55-64) don't have a will



of New Zealanders have a living will/ medical directive

FAMILY

All too often families wind up fighting after the death of a parent. These disagreements usually occur when someone dies without a will. It's called dying intestate. Dying intestate is the worst possible scenario that you can have, simply because you revert to the base laws of the land and people have to apply to go through the normal process that would automatically happen if there was a valid will in place.

Looking at family unity, the crucial thing with having all of your affairs in order (whether that's the enduring power of attorney or having the right will in place), is that the family has been brought together ahead of time and has bought into the process of doing this. If that isn't the case, unfortunately, you might have family members that don't agree, feel hard done by and are unhappy about the scenario. The numbers of families that are ripped apart after the parents go, where the children no longer want to have anything to do with each other except to fight legally over the money is far too high.

It could be there's a vast fortune to split up, or it could just be a home and some unique personal effects. It doesn't have to be a lot of money for a lot of ill-will to be created. Most people, when they write their will, would love nothing more than to know that the family will be happy, and will spend the time remembering all the good times rather than fighting over the assets. So having an expert sit down and work through this process is extremely valuable.

REQUEST A CONSULTATION

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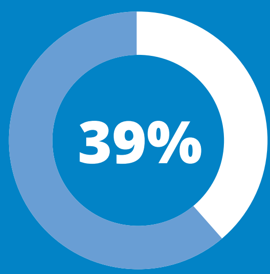
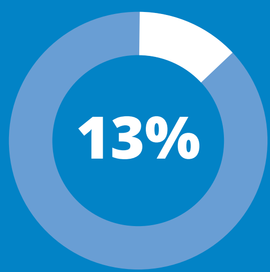
75%

of Kiwis with children will leave guardianship to the court.

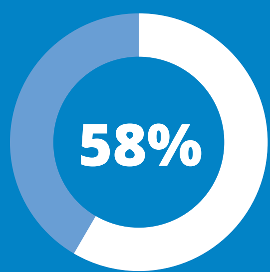
Take the time to meet with an estate planning specialist to appoint a guardian for your child!



Only 39% have estate planning documents



of those without an estate plan believe their spouse/children will automatially receive their assets.



of households with children do not have a will

COSTS

There's another risk to not having all of this stuff organised, and it's to do with the potentially high cost of legal fees if people fail to set up Enduring Power of Attornies and wills before they are needed.

We've already covered what a will is for, but what about an Enduring Power of Attorney? An EPA is a legal document giving someone the authority to act for you if you lose the ability to make decisions on your behalf. There are two types of EPAs: one for money and property, the other for personal care and welfare. It is recommended to have both. These rights can be given to the same person or different people, but even if given to the same person, each power needs to be granted individually and separately. There is the opportunity to be clear about where the rights can be applied.

The real downside of not having these things organised is that it can cost everyone involved at just the wrong time. It could be a significant amount of money, and that's over and above the additional time and energy that it takes.

When these things aren't set up correctly beforehand, the people left behind can wind up spending spend many times more than expected on lawyer's bills, they could have bank accounts that are frozen and are unable to be accessed for an extended period.

At a time when a loved one has died or is incapacitated, the last thing anyone wants is financial stress and uncertainty. These pitfalls can all be avoided just by getting the right advice.

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PROBATE CAN COST UP TO 10-15% OF THE ESTATE'S VALUE

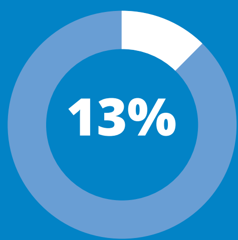
$40,000

= Probate fee for an estate valued at $400,000

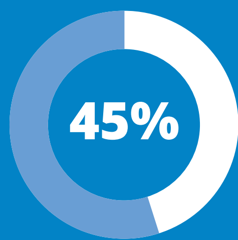
Typically a home, car, and savings

Creating an estate plan could save you thousands of dollars!

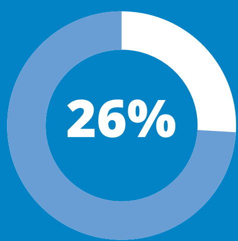
Who has an EPA?



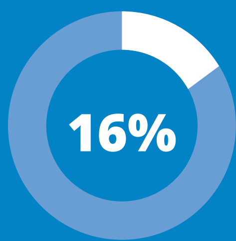
of 24-34 year olds



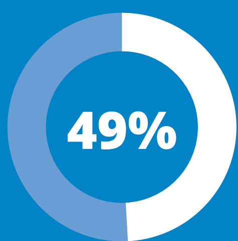
of 55-69 year olds



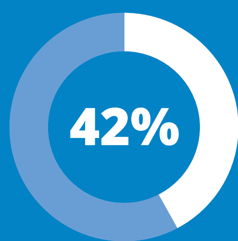
of singles



of renters



of widowed / divorced



of homeowners

TIME

The last thing to remember is the time it can take to sort out someone's affairs if they are not in order. With a correctly setup estate plan, it's straightforward and quick to move through the necessary steps. That way, everyone can focus on what's important at that time, which is of course family.

What you don't want is to have a lack of clarity or a lack of documentation as to the wishes of the deceased. Otherwise, the family will need to spend time (in some cases a whole lot of time), having some level of discussion or disagreements and working through a legal process to organise and sort out affairs.

One of the worst things that can happen is having the partner in a relationship who takes care of the families banking and finances and has most things in their name unexpectedly die. In such a case the surviving partner can wind up being frozen out from all of their assets and accounts, even if they had been married for decades. In such a case the surviving partner would have to go to court and apply to get access to their own money, which can take weeks, months or even years to resolve. An enormous amount of potential stress and even real financial hardship may occur. Getting advice ahead of time is the best way to avoid such a situation.

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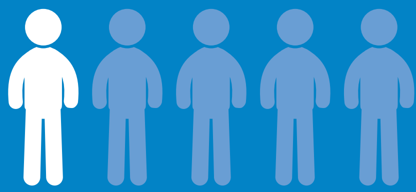
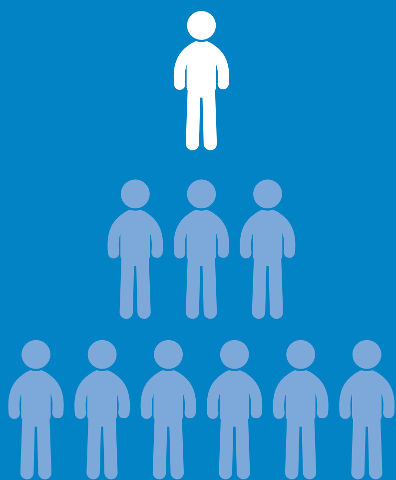


Of those with no estate plan, 1/5 say the process is too complicated.

18%

Among New Zealanders with no estate plan, only 18% believe it is unnecessary.



Only 1 in 10 Kiwis believe having a will isn't important due to longer, healthier lives.

The two most important values of working through these things with our clients here at SurePlan are:

1. Making sure that the things that need to be in place are in place before they need to be.
2. That everything is taken care of in a way that promotes family harmony and has the wishes of the deceased respected, because at the end of the day that's what everyone wants.

The reality is that if you have children and own a home you do need an up to date Will & EPA's in place as part of your overall financial plan.

If you'd like to get these things organised but aren't sure what to do next, get in touch with us, we can help.

REQUEST A CONSULTATION

If you are of the 95% of people that want your property transferred to a person of your choice, call an estate planning specialist.