School Business Managers Conference 2019

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REALISE A BETTER FINANCIAL FUTURE.

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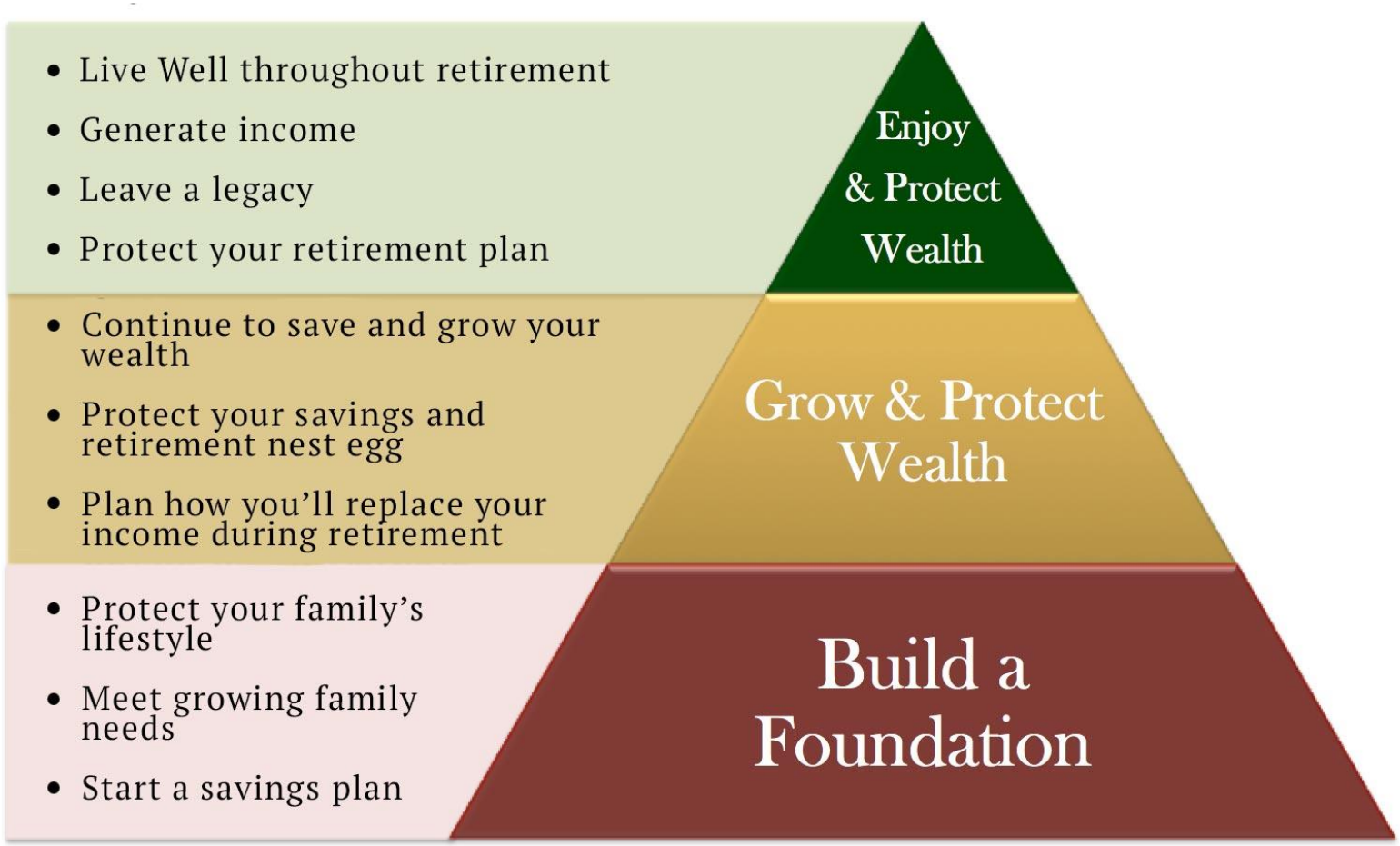
Who are we?

- AdviceFirst was formed in 2008 by a small group of Financial Advisers and in 2016 Spicers combined with AdviceFirst.
- AdviceFirst is a New Zealand wide financial advice network in which AMP, a long-established financial services company, has a majority shareholding. Offering Advice services for Wealth management and protection, Financial planning, Asset Protection, SME Human Resource, consultancy and health & Safety.
    - 55 000 Clients
    - $2 billion of Client funds
    - $10 million of Client personal claims this year
    - 14 offices from Kerikeri to Invercargill.
    - Over 100 staff

What a Financial Plan can do for you

- Paints a picture of where you are now, and where you are headed.
- Sets out what you need to protect now and in the future.
- Shows you when you can retire.
- Sets out your likely income in retirement compared to your income today.
- Shows you how long that income will last.
- Allows you to plan how and when to spend your money; do those things you've always wanted to do - e.g. travel, educate grandchildren, upgrade your existing home or move to a smaller one, leave a residual estates
- Shows you what changes, if any, you need to make to reach your financial or retirement savings goals
- Gives you a base to assess your progress.
- Gives you comfort that you can achieve your goals

Planning Pyramid



Pre-Retirement: grow your wealth

- Better budgeting and reducing debt costs
- Growing savings that will eventually convert to generating passive income – pay yourself first.
- Diversification – spreading eggs ***and*** baskets
- Understanding Risk versus Reward trade offs
- ***Planned targets*** for debt freedom, savings and superannuation
- Using advice and tax savings opportunities effectively
- KiwiSaver (or similar)

Retirement Planning

- I can retire at 62 and live comfortably for 11 minutes.

"I finally put something aside for my retirment.
I put aside my plans to retire."

Don't plan for ’retirement’

Plan your '25-year holiday'

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What lifestyle do you want?

What will you want in retirement?

Sorted
YOUR INDEPENDENT MONEY GUIDE

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What a retirement plan can do for you

- Paints a picture of where you are now and where you are headed.
- Allows you to set your goals for retirement and plan how to reach them.
- Allows you to estimate your income in retirement.
- Shows how long that income will last.
- Shows you what you need to do to achieve those goals.
- Allows you to plan how and when to spend your money – travel, medical, grandchildren's education, change of home, legacies.
- Can tell you what might not be achievable

SMART Goals

- **S**pecific
- **M**easurable
- **A**ttainable
- **R**ealistic
- **T**ime bound – Short, medium and long term.

This will ensure you set goals you can achieve, and identify those you can't

How much do you need?

Some back of the envelope planning

- How much after tax income do you want in retirement.
- What age will you retire?
- What age to you expect to live to?
- Do you have any other requirements – travel, Car replacement, health, other.

Men reaching 65 in 2031 (51 now) can expect to live to 88, women to 90 years of age.

Will the Government Deliver it?

- NZ Superannuation current rates

Category	Weekly (net)	Annual (net)
Single Living alone	$411.15	$21 380
Single, Sharing	$379.52	$19 735
Married or Couple (combined)	$632.54	$32 892

Could you live on 316.27 per week?

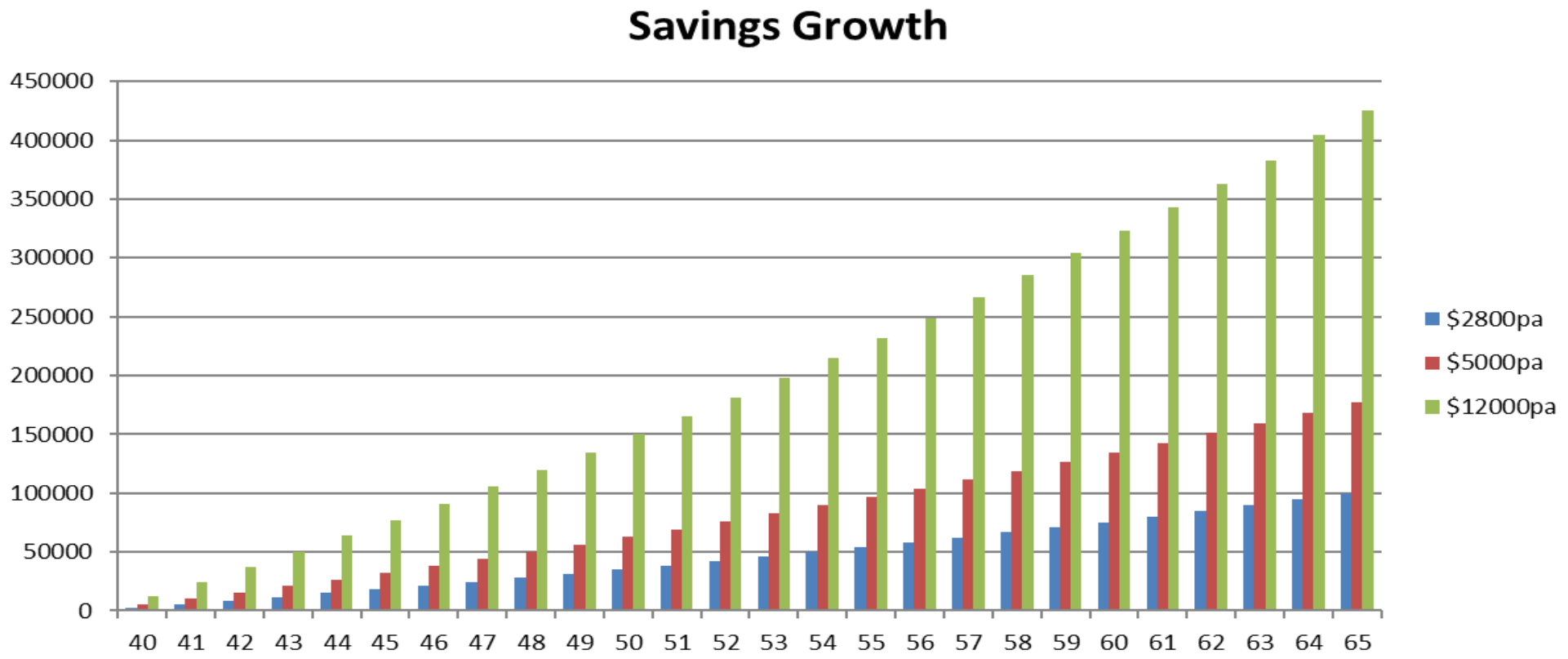
So how much more might you need?

Example:

Retirement spending goal (Today's $)	Capital required for retirement at age 65*
$10,000	$200,000
$20,000	$399,000
$30,000	$597,000

*Assumes a real return of 2.3% pa after tax & inflation during retirement with capital running out at age *90* & excludes NZ Super

What do you need to save?



Assumes start saving at 40 and retirement at age 65.
Assumes a real rate of return of 2.3% after tax and inflation.

The numbers seem big, but;-

- $2800 per year is $53 per week.
- Your ability to save will grow as your life progresses.
- The earlier you start the better.
- If you are in KiwiSaver, an income of $42 000 will mean you save $2 620 per year

KiwiSaver

- JOIN - This is the first step in your retirement savings.
- At present you will receive contributions from both your Employer and the Government.
- The Employer will match your first 3% of contributions (less tax).
- The Government will pay you 50c on each dollar contributed up to $1042 – that is $521 per year.
- Except in certain circumstances your savings are locked in until age 65.
- Ensure you have joined and are contributing.
- Take the time to ensure you are invested in an appropriate portfolio.
- Each year make sure you have contributed the minimum $1042 to get the full Government contribution.
- Get some help if you are unsure.

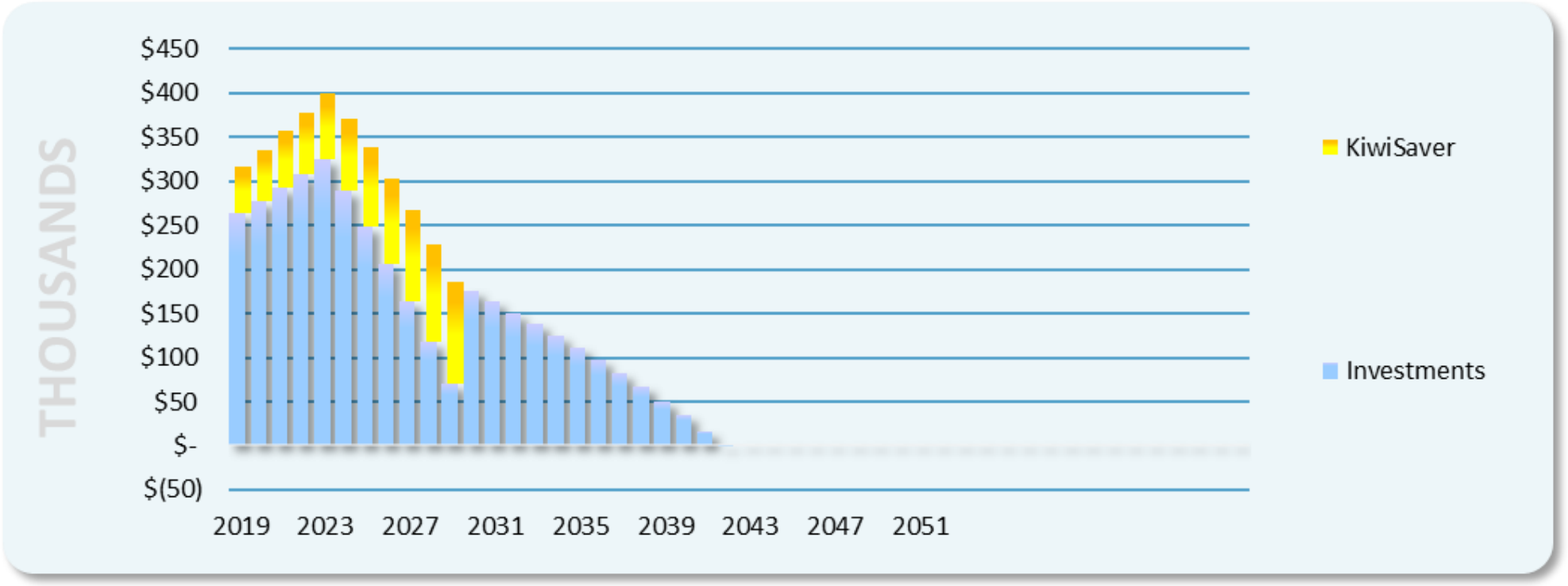
Other sources of Income

- Your other savings
- Employment
- Gifts or Inheritance
- Sale of Property or Business
- Rental Property
- Downsizing or Subdivision
- Renting out
- Equity release
- Selling your home

We can help plan your retirement now and remove the doubt

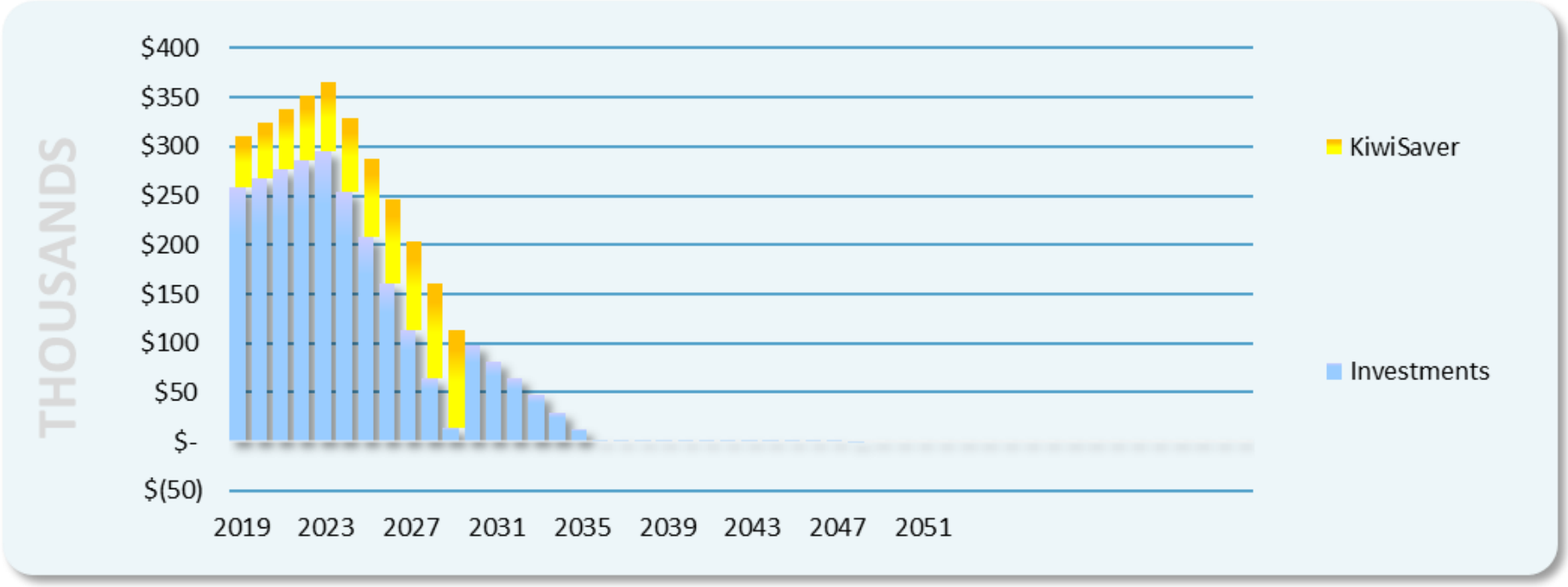
- Bill & Jane Smith, both aged 55.
- Want to retire aged 60 and live on $50k net per annum ($961 per week).
- So that means drawings $60k per annum from 2023 until NZ Superannuation is paid at aged 65, therefore $30k per annum thereafter.
- Janes SSRSS is currently $200k
- Bills KiwiSaver is $50k
- Term Deposit is $50k
- Returns at 4% net before inflation.

We like pictures!



*no inflation

We like pictures that are accurate better



*including inflation

Investment Principles

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The cycle of emotions and why some investors lose money

Investment Principles

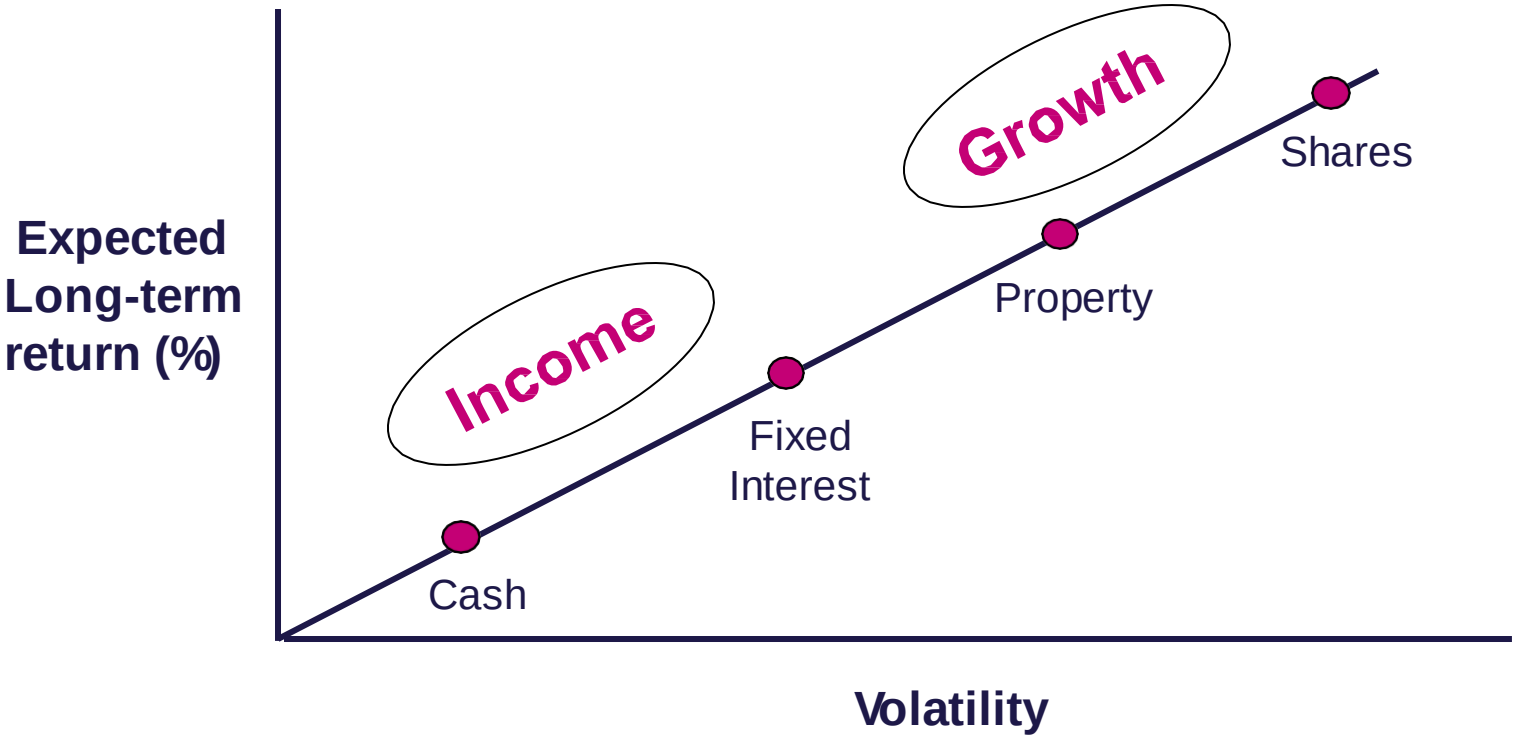
What is investment? – Investment is a planned strategy managing return versus risks to attain **your goals**– it is not speculation.

For investment to succeed you need to consider

- The **main purpose** of investment – accumulation, capital preservation, funding retirement lifestyle
- What **time horizon** does for your plan? Remember: Time in, NOT Timing, generates expected long term returns.
- Plan based on **your goals** - define short, medium, and long term goals
- Use market **ups and downs** to your advantage – save regularly and ignore the markets (dollar cost averaging)
- Maintain real **diversification** across asset classes, countries, managers, securities

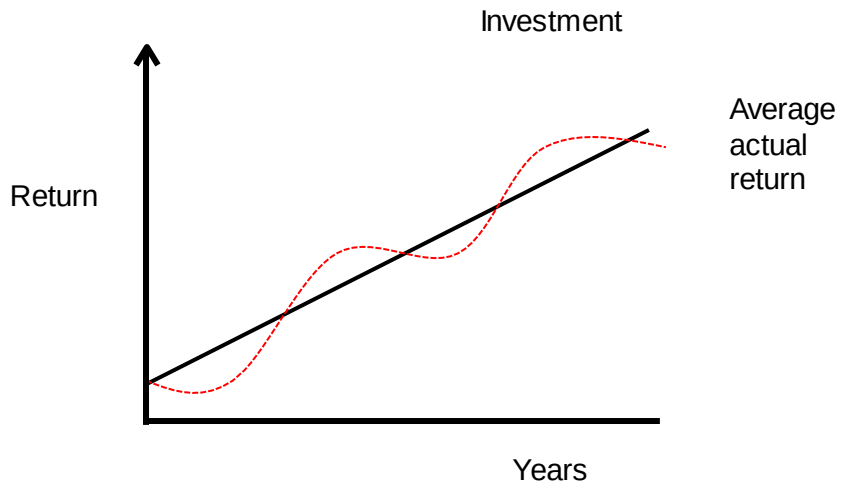
Volatility risk vs. return relationship

- What is risk? – price variation vs non recoverable capital loss.

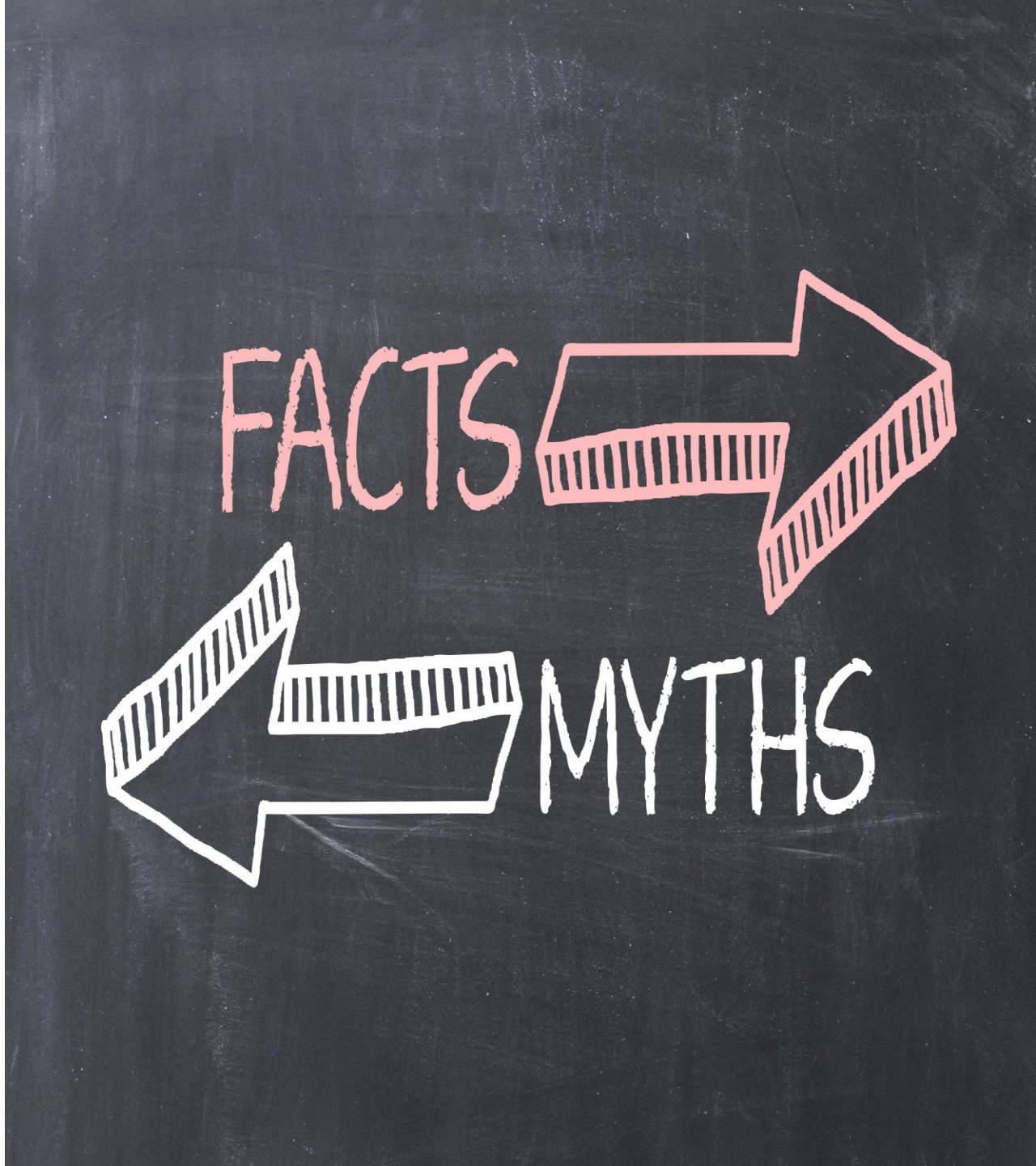


What is your appetite for risk?

Characteristics	RPQ Result
Weighting to Growth Assets	60%
Weighting to Income Assets	40%
Expected Nominal Net Returns (after tax and fees but before inflation)*	4.03%
Expected range of price variations in any year (based on Nominal Net Returns)	-11.72% to 19.78%
Expected negative years	1 in 4 Years



Adviser Insights



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MERCER
MAKE TOMORROW, TODAY

PERIODIC TABLE OF ANNUAL INVESTMENT RETURNS

MARKET INDICES*

Australian Equities (UH)
S&P ASX 200 (NZD, Unhedged)

Commodities (H)
Bloomberg Commodity (NZD, Hedged)

Emerging Market Debt (UH)
JP Morgan GBI-EM Global Diversified (NZD, Unhedged)

Emerging Market Equities (UH)
MSCI Emerging Markets Net (NZD, Unhedged)

Fund of Hedge Funds (H)
HFRI Market Defensive (After Fees) (NZD, Unhedged)

Global Bonds (Aggregate) (H)
Bloomberg Barclays Global Aggregate (NZD, Hedged)

Global Listed Infrastructure & Utilities (H)
FTSE/EPRA NAREIT Developed (NZD, Hedged) (UBS Listed Infrastructure and Utilities 50/50 (NZD, Hedged) prior to 30 April 2015)

Global Listed Property (H)
FTSE/EPRA NAREIT Developed (NZD, Hedged) (UBS Listed Property Investor Only (NZD, Hedged) prior to 31 March 2012)

Global Private Equity (IRR) (H)
Burgiss Private iQ Global Private Equity Benchmark (After Fees) (NZD, Hedged)

Global Small Caps (UH)
MSCI World Small Caps Net (NZD, Unhedged)

Global Equity (H)
MSCI World Net (NZD, Hedged)

Global Equity (UH)
MSCI World Net (NZD, Unhedged)

NZ Cash
S&P/NZX 90-Day Bank Bill

NZ Direct Property
PCNZ/IPD Property (2018 return is 12 months to 30 September 2018) (Mercer Unlisted Property prior to 2015)

NZ Equities
S&P/NZX 50 with imputation credits

NZ Government Bonds
S&P/NZX NZ Government Bond

* All indices are gross of fees with the exception of Fund of Hedge Funds and Global Private Equity, which are net of fees.

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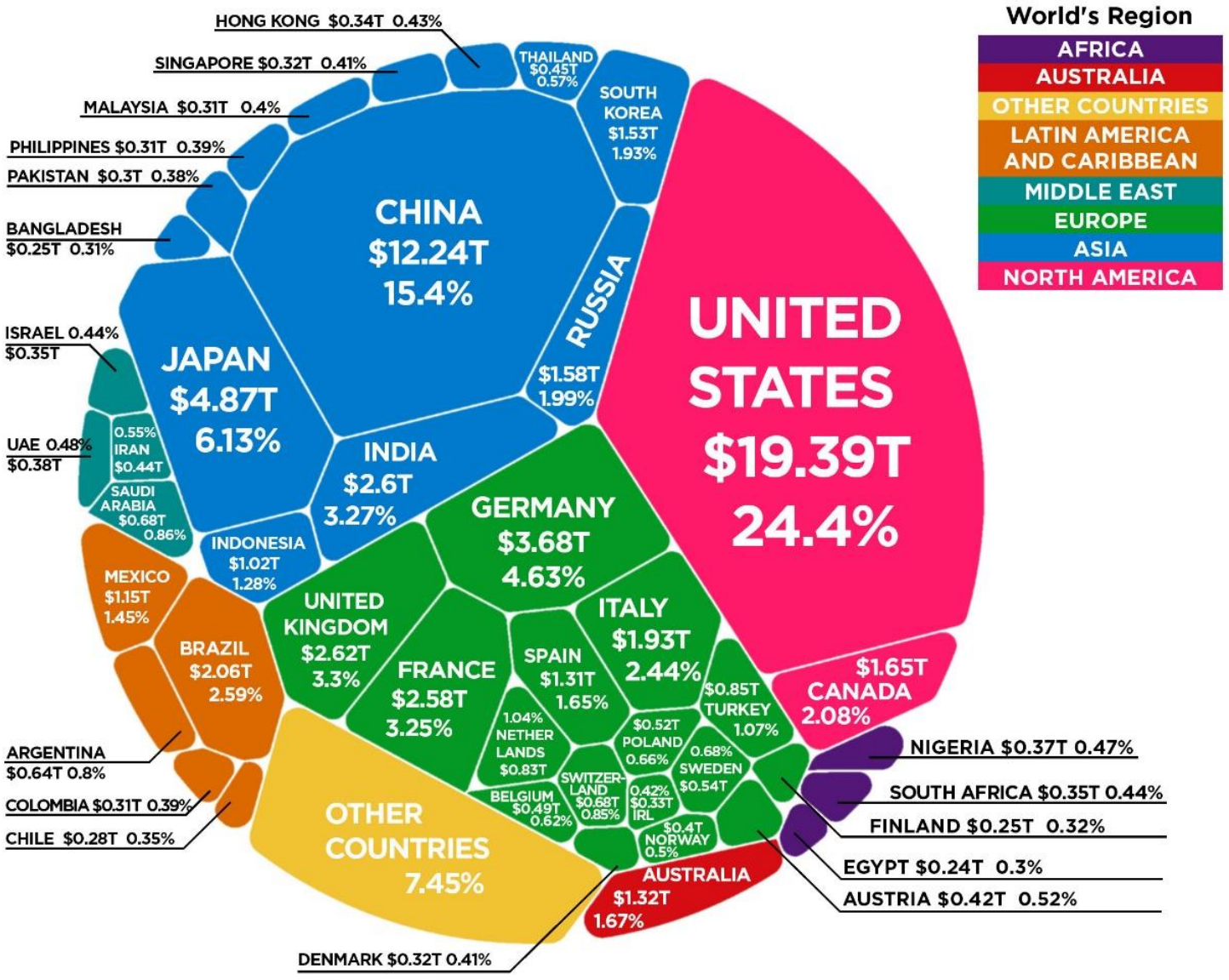
The World Economy



Article and Sources:
https://howmuch.net/articles/the-world-economy-2017
http://databank.worldbank.org/data/download/GDP.pdf

howmuch.net

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Where Wealth is Created

Where is Global Growth Happening?

Percentage of Estimated Global Growth (2017-2019) in Real GDP

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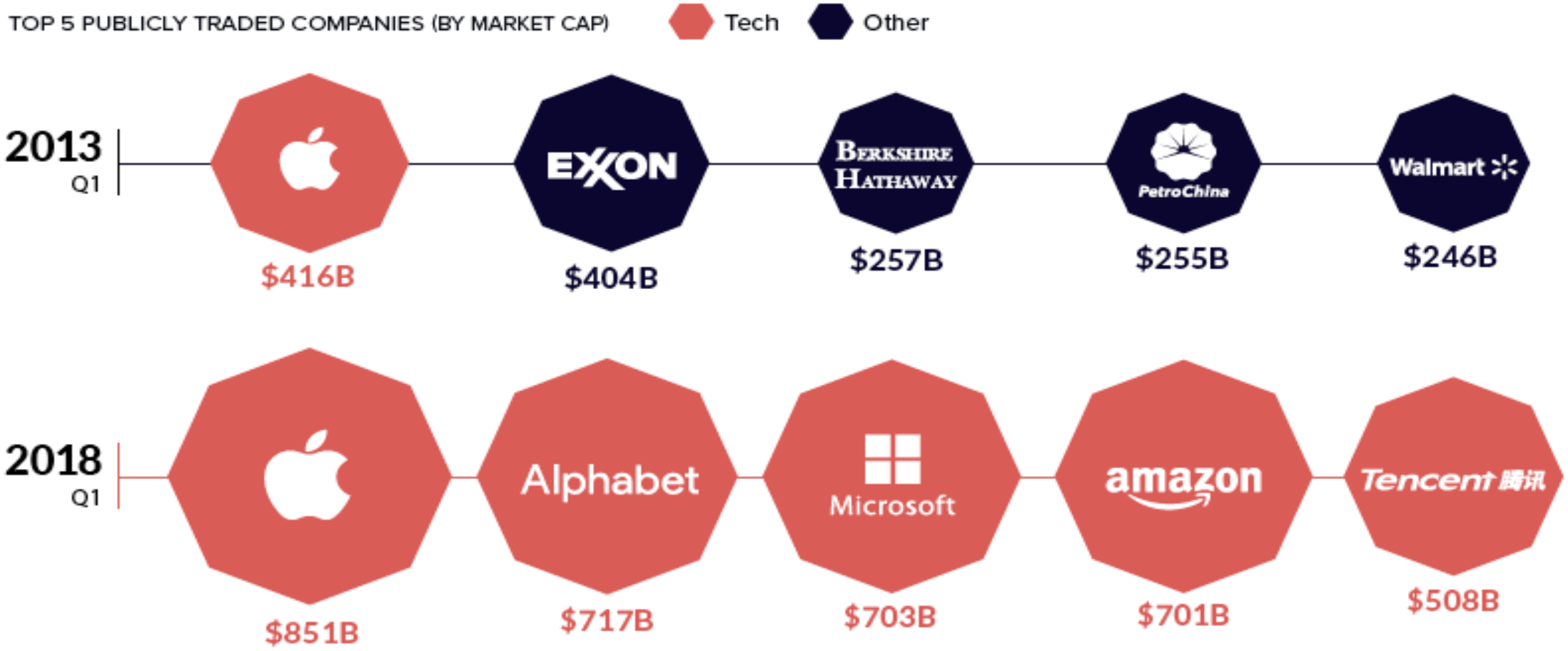
The changing face of Business



Be wary switching schemes – get advice

"Markets are nothing more than a warehouse that facilitates the movements of wealth from the impatient to the patient."

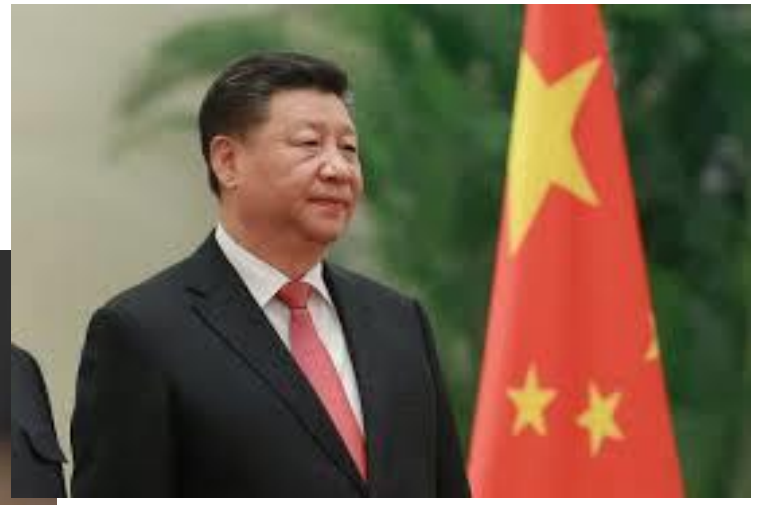
Warren Buffet

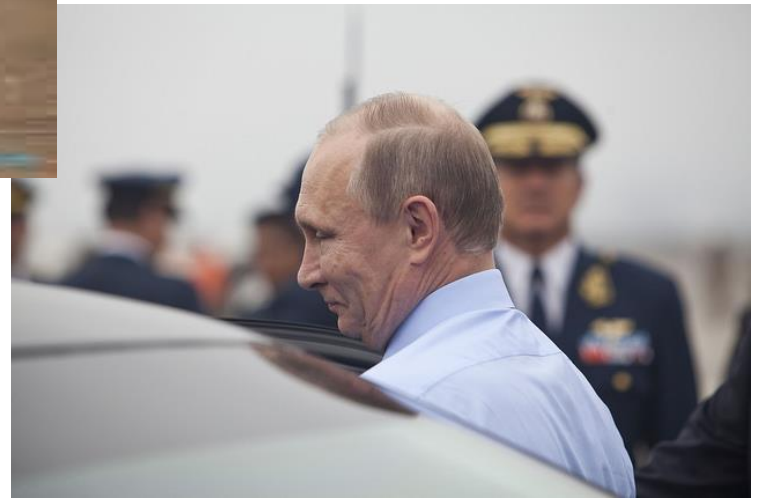
Financial Behaviour

As humans, we have hard-wired tendencies to:

- Make long-term judgements based on the recent past
- Ignore powerful long-term trends
- Under-invest in equities
- Let emotion over-rule logic – we hate losing money more than we like getting good returns

What could possibly go wrong?





Common financial mistakes & misconceptions

- Fixed interest is ‘safer’ than shares
- ‘Tips’ from friends or colleagues
- No ‘rainy day’ reserves to protect from financial storms
- Locking-in losses by inappropriate funds switching
- Spending more than is being earned
- Inadequate insurance cover
- Treating property equity as a no-limit ATM for more borrowing
- Poor diversification – too many eggs in the same basket (property, cash deposits etc)

Summary

Start now, it is never too early or too late.

You don’t need all the answers immediately.

Spend a little time – it is your future.

Get a plan.

Use information available to you – www.sorted.org.nz

Use a Financial Advisor.

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Thank you