Breathe
FINANCIAL PLANNING

Strategic WEALTH

made SIMPLE

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-made- SIMPLE

Barry Kloogh, Authorised Financial Adviser

About Barry Kloogh

Barry Kloogh has been a trusted **Authorised Financial Adviser** in Dunedin for over 32 years, helping clients secure their future, enjoy more in life, and retire in comfort.

Barry has pioneered many of the best techniques used by the financial planners across New Zealand, he is the author of the Money Cookbook, creator of the DebtBreaker system, and founder of Breathe Financial.

Breathe Financial is a proud Dunedin based company which works with families, corporate executives, professionals, entrepreneurs and those already retired.

Since 1993 individuals and families have trusted us to help them build and maintain a successful financial life and protecting their wealth for generations to come – it has been and will always be our objective to deliver tangible results by helping you to achieve your financial goals every step of the way.

Every member of the Breathe Financial team understands that managing your personal objectives, family goals, and future retirement needs, involves a keen eye and a smart financial sense as well as the level of care you've earned and deserve.

You can expect nothing less than personalised and attentive service, and an integrated approach to helping you understand, set and achieve your financial goals.

In fact that's what it's all about- You and your family. Helping you to achieve these important milestones in your lives whether it's from the basics of day to day money management – to getting rid of debt - to new homes, vehicles, or furniture – to overseas travel – to planning retirement – really any financial goal.

Everything you need to help you to enjoy your current lifestyle, manage the unexpected, and plan for the future is just a phone call away.

WARNING:

Over the past five years, things have changed dramatically in the adviser world. The Financial Markets Authority (FMA) was formed in 2011. It actually controls all of the different financial advisers that are in the market today.

But with the formation of the FMA, confusion began…

There are so many different levels of financial advisers, and the government is currently reviewing each of them. In fact, the Ministry of Business, Innovation and Employment, is looking at the ways that all the financial advisers and financial markets flow and operate. It's a really good thing that the FMA changed this and that they brought in some controls because it's gotten rid of a lot of the questionable individuals who were involved in that industry.

I don't think we're finished with that yet, but we are getting there, and that's making it safer for you and your family.

If you look at the disaster that occurred in the financial industry from 2008 to 2010, there were over 50 companies that folded during that time period. It was kind of obvious that it was going to happen, if you knew what to watch for, and these controls have been put in place to make sure that doesn't happen again. But unfortunately, it will anyway. It doesn't matter what controls you put in place; some of these questionable individuals will find a way to mess things up. But keep your fingers crossed. Hopefully I'll be proven wrong.

Meet the Author

So a little about me. I've already explained that I have 32 years in the industry. I'm going to help you build a recipe for financial independence. Everybody's got a different age and stage when that occurs. I don't have clients that are all in one box. They're all over the place. Some people are saving for particular things. Others want to pay off debt. Still others want to invest some money. Everybody is different.

I am part of a Financial Services Organization. We advise. We help you shape your financial lives, and we help you create it as well. I'll talk about products later on, but no one product is right for everyone. You know, we use many, many different things to do what needs to be done to suit your situation, and it is all about your financial future.

Our philosophy is to provide you with a professional service—not just for the wealthy, but for everybody. So my clients range from the 'not so wealthy' who have a lot of debt, to the very wealthy. We've had people that have come from nothing, and they've done very, very well. You can read those stories in the materials we've already sent out to you.

We help people in three ways:

1. Invest more wisely
2. Accumulate money more efficiently
3. Produce greater income and growth

These 3 factors will lead to what most people want, which is more wealth. So we want to get you somewhere. It's all about growth. It's all about moving you in the right direction.

So what is **financial planning** all about? Well, it's a process. Your goals are coordinated and developed within a written plan. They're organised and analysed. We give you possible solutions to problems and make recommendations. Now it's easy to say, "You need to do this." Or: "You need to use this product." But you have to have a "why" beside that. "Why" is this the appropriate vehicle for you to use, in order to improve your financial life?

Find Out About You

The first thing we need to do is to **find out about you**. We really can't do anything unless we know what we're dealing with. So the first part is to just discover all about you, including personal balance sheets, personal income statements, current retirement programs, risk coverages, reviews of your wills, and any anticipated inheritances or gifts.

Because I've been doing this for so long now, I have second-stage people coming through, who have inheritances. I had the first wave about 15 years ago, so there's a lot of work that's done in and around solicitors and accountants. What's the appropriate way to deal with things? And what are all the investments that are out there?

When I first started doing seminars in 1992, the big thing for some investors was ostriches. Do you remember that? You bought a couple of birds or a couple of eggs, and it cost you $60,000. It all fell apart. There were other investments that came along, likes goats. All sorts of different things.

You can see that kind of thing through the ages. At one point in the 17^{th} century, tulips were an enormous investment. And in fact, they grew in value so much, the explosion of debt afterwards was just enormous. And we have also seen those types of bubbles in recent times.

Property, we've seen oil, we've seen gold. Any idea what you think the next one will be? I can't prove this, but I have an inkling that it will be water. I think it will be a clean water supply. We're relatively lucky in this country, but around the world, they have more challenges. Up and down the Arabian Peninsula, there's a build in water-purifying plants going on. So I think that will be the next big boom. I could be wrong, of course.

Name Your Goals

Next is to find out what your goals are. What do you actually want to do? Some people say to me, "Well, I don't know what I want to do. I just want to build up more of a financial reserve." That's fine if you want to build a nest egg. We can help you to do that.

Education for your kids might be important. We've done a lot of work in this process, so a lot of different plans are out there on the market for kids. You may want to replace your car with a new one. Again, we do a lot of short-term examinations for that kind of thing. You may want to travel, or you may have other family concerns.

Three Keys To Financial Independence:

There are three keys to financial independence.

The first one is **having a process to build strong cash management**. Knowing how you actually manage it. Many of the banks now offer a system, where you can have multiple accounts.

While that works well for some people, it's not right for everyone. Everybody has a different temperament about how they manage their money. It's not “one process fits all.” We can give you a process, but it doesn't mean that you'll use it. It might morph into something different as we talk with you further.

If you have debt, form a strong plan to get rid of it. This isn't to say that you actually put all your money into debt repayment; you're not going to have much of a life if you do that. You're going to need to have some money as you go along, so it’s a process: Learning how you can manage your debts well and still have a life.

The second key is that you need **a strong plan in the event that things go wrong**. I'll explain what I mean by that.

This is the insurance side of it. One of my staff that worked for me for about 4 or 5 years was advised by me, after a needs assessment process, to take out this certain amount of insurance. This person's husband then had a major stroke. They had a sizeable mortgage, and they were able to get rid of that mortgage overnight. It was gone. There was also a bit of income protection that was put in place, so they could actually live and not have to sell the house.

So insurance is one form of protection. The other one is making sure that you've got emergency funds—money that you can call on when something unexpected happens.

The last key is **your lifestyle and retirement**. At the moment, I have quite a large amount of customers who are moving into retirement. So what are they really looking at now? They're saying, "Well, I've got a big pile of investments, but how long is it going to last?"

So we've done the planning to get them there. But are they still going to be able to manage things throughout their retirement? So, again we're talking to them two or three years before they retire around their cash flow and new needs and wants to fine tune the process we've already started.

I know that the media out there talks about, "You need to have a million dollars. You need to have $700,000." But again, we're all different. We all have different ways of looking at what we need in retirement. Some people spend more than others. So it is different for everyone. One of the things we have noticed with this era of retirement is that medical insurance gets ridiculously expensive, so that has to be managed well.

Measurement

Where are you now, and where do you want to be? Once we know where you are and where you want to go, we have an idea of what we have to do. Your strategy also needs to overcome things when they change, which they will. You might have a plan that says, "You need to do this." But that's going to have to change at some stage. It won't be the same all the time. It needs to be able to fluctuate according to major life changes.

Many different alternatives are out there as well. At the moment, we've probably got around 50 or 60 different products that we recommend. But there are literally thousands more than that available. The 50 to 60 are the ones that we've researched very closely.

Reviewing Your Plan

First of all, based on where you are now, what is your budget for investments? What do you want to do? Knowing that, we can then make recommendations about appropriate products.

Any plans you make, you have to review them. Your plans cannot be considered engraved in stone; that just won't work. You have to have a lot of flexibility about things to make them work properly for you. Flexibility is very important.

How often should a review occur? Well, sometimes monthly, sometimes quarterly, sometimes every six months, sometimes annually, sometimes every 2 or 3 years. It just depends on your situation.

With our clients who are trying to get rid of mortgages quickly, they need to review every month at least. We want to make sure they're on track, get them trained so they know how to operate them properly, and set them free. But every month is really important for them.

For investment clients, they need to review after 6 months or a year. Then after that, it's maybe every 3 or 4 years. That tends to be what happens.

Three Obstacles

There are three obstacles that you might face when trying to accomplish your plan:

1) **The rising cost of living**

   It's not as big of an issue as it was 30 years ago, when inflation was running very high. But does anybody know what our inflation is running at this very moment? It's about 0.5%, so it’s way below what the Reserve Bank actually has as its target level.

2) **Taxes**

   Is there such a thing as paying too much in taxes? There are tax-effective investment products, which you can use.

3) **Risks of investments and insurance**

   So I mentioned before that finance companies collapsed. What happened there basically involved quite a lot of greed, so people saw the high interest rates. They thought they were buying a deposit, but it simply wasn't there. It was probably the riskiest part of the economic cycle of New Zealand at that time. And if you're looking at the top-level risk that you can possibly take, I suppose it is the stock market—in terms of investment. And the lowest form of risk is putting it in a bank. And somewhere between all that, that’s where you're going to fit in.

Not everybody puts all their money in the bank. And I don't know too many who put all their money in the stock market, although there are some. My riskiest investor is 73, and he tells me off if I'm not giving him enough risk. He's got quite a bit of money. He shouts, "No, you're not taking enough risk!" But if you go back to the global financial crisis, his portfolio lost 40% in about 3 days, which wasn't pleasant. But he was okay; he's that sort of person. And now it's up over 250-300%, and he's taking money out of it as well!

If you take high risks, you get that volatility. But if you take low risk, you don't get as much growth. Most people are in the middle.

Just failing to plan is failing to sit down and say, "I need to look at how I'm doing things. What am I trying to achieve, and how am I going to get there?" So even if you don't use our services, you'll get that basic information from my book, which teaches you how to do a lot of that kind of thing.

Appropriate Protection against Personal Risks

Systemize the approach to finding out what you need in the event that you die, become disabled, contract a long-term illness, or need medical treatment.

Last night, I had a review with clients, and they've moved from being very heavily indebted to being less indebted. The kids are a little bit older, so all the numbers change for insurance. There's not as much need for life insurance. There's not as much need for a lot of what they've got, so we've actually been able to trim that back quite a bit.

There are people that have been through that process 3 or 4 times. The process is important because it's all about managing the expenses. When you buy life insurance, buy what you need. The aim is to actually get into such a position that you do not need it, as soon as possible.

Financial Freedom

This is really about having the choice to follow the lifestyle that interests you, while still continuing to earn some money. Maybe you enjoy your job, and you don't want to stop working. This happens with a lot of people. Maybe it's that you do want to stop working, but don't have enough money to do that yet. And basically, you can spend what you want to within your budget, but the key word here is "choice"—just having the choice to do the things that you want to do.

Capitally Accumulating

I can't stress enough that it's really important to have an emergency fund. Any idea what you should have as an emergency fund? It's about 3 months gross income put away.

So say you're earning $3,500 a month. Then you'd want $10,500 that's in your mortgage, in a saving account, or in cash in a safe deposit box. It's just money that you can get to really quickly.

Educational Funding

Think logically: How old are the kids now? How are they going to go to university? And how much should you allot for their education? For educational funding, we have maturities that come through for people.

And the offset of that are student loans. Kids can borrow money, and it's interest-free. That makes sense. Another way to help them would be to help them pay off their loans.

Car Replacements

If you need $10,000 to buy a car in 2 years' time, how much do you need to save? And at what interest rate? We can tell you exactly what you need to do to do that.

Overseas Trips

This is mainly short-term, although we did come up with a plan for new customers about a month ago. They had itemized the trips they were taking next year, in 2018, and in 2020. We had it all down to the last dollar. They know where every penny will be going to go!

The Home Upgrade

This is happening more and more, and it's not just about home upgrades. It's also about purchasing holiday homes.

And there's also the latest craze with older customers—mobile homes. There are a lot more of those on the road, but some of these items are really pricy. You could pay $200,000 or more for a really fantastic mobile home. But I also just helped a customer buy a wonderful Caravan for about $30,000. I think it was about $20,000 below the normal price.

Comfortable Retirement

And then there's planning for financial freedom, which again comes in steps toward a comfortable retirement. What is a "comfortable retirement?" Everybody is different. I have pensioners as clients, who live very comfortably. Pensions are around $30,000 a year after taxes at the moment, depending on what investments you've had. But they are definitely able to live on that really, really easily.

What we do is just find out exactly what you need to do, in order to do what you want to do.

The Monetary Life Cycle

Basically **until the age of 25**, you’re getting an education. That's not necessarily talking just about universities, but also getting a bit of common sense along the way. I don't know how to tell you to acquire common sense—perhaps through good parents and grandparents.

At the moment, one year of university equates to approximately $11,500 per year, including living expenses. When I first looked at this figure, it was around $7,000. That was about 16 or 17 years ago, so it has just steadily increased throughout the years. There are many, many more people going to university than there were years ago. It’s quite extraordinary.

From **the ages of 25 to 40**, you're building assets. You're buying homes, and you need a bit of protection. How do you that? We can train you to use money properly.

Years and years ago, I remember my grandmother had a whole heap of jam jars, and she used to put money in each one—one jar for rent, one for insurance, etc. That’s basically the way you should still do it, except you can use electronic funds to do that now, which is quite helpful. But I still have clients that actually use jam jars.

Of course, having kids is probably the most expensive thing you’ll ever do, apart from buying a house or retiring. You're going to be buying some insurance. And you could have some business ownership. You could be looking at opportunities with all sorts of different things. How do you do that properly?

After the finance companies fell over, that was one of the places where a lot of new businesses went, in order to actually get funds. But of course, that whole area just disappeared. There are a few banks who are starting to open up a bit. You know, they are looking at this as more of an opportunity. Sure, you pay a little bit more for the borrowings, but they are starting to help you. And there are also processes within business ownership that we can help you with.

But unfortunately, this is a high-expense period. This kind of period involves spending money. It is not cheap to live at this time of your life. If you go back in time to the ‘60's and ‘70's, basically there was free education, free health, and free super. Interest rates rarely got higher, and property prices were low.

From **ages 40 to 65**, you build more assets and investment growth. So this is when you earn most of your income. I don't know if you've ever read a book called *Outliers*, but there's a chapter in it that talks about it taking 10,000 hours to become an expert on what you do. So once you spend 10,000 hours doing something, you're supposedly an expert on it. So you've got a lot of experience. You’ve built up a lot of things over the last 20 years or so—in terms of earning and making mistakes. Life skills.

The wonderful thing about retiring right now is that you've got KiwiSaver. There is a certain degree of government control with it, but it is a very generous, good plan. If you're not in KiwiSaver, I think you should be.

So this is where we want to build on getting the debt repaid. We have a massive amount of people that are talking to us in their late 50's, and they still have a large amount of debt. It's hard to get you out of debt and retire you properly at that stage. So we want to attack the debt as soon as possible.

Generally speaking, the surpluses are good, and there's quite a lot of strategic planning here. Going back 10 years, it was all about family trusts, and it's not so much about that now because all the rules have changed. But you should talk to your solicitor about having an enduring power of attorney.

Other strategic things you need to think about are exiting from businesses, selling down the home, and generally moving forward. There are a lot of strategic things that you might be doing at this stage.

From **ages 65 and above**, you still need to have growth of income and to have your money managed well. You need to remain invested. A lot of it is still going to be in some bank investments, but you need to have growth.

And the only way you're going to have growth and property investment is using some form of share market investments. Your expenses might increase here. They may go up. I've already mentioned medical insurance. We just managed a client from about $800 per month on medical insurance down to around $350 a month. But there's going to come a stage where it's not going to be cost-effective to hold onto it. It's just not affordable.

Make Sure You've Got the Right Mortgage

I'm not a fan of switching mortgage, from bank to bank. What we really want you to do is build a good, solid relationship with your bank. And that's about training you how to talk with the bank—and how to actually do things properly. But switching you from bank to bank is not the right way to do things, as far as I'm concerned. And it is harder to do that nowadays.

There are about 16 non-bank lenders out there. They have slightly different roles than banks. We are now seeing a lot more lending—above the 80% mark. But you have to be absolutely pristine on top of that. If you've got a 20% deposit for a new home or whatever you're doing, they'll bend over backwards to help you.

Change your Investor Profile

When you're young and relatively carefree, you probably take more risks with investments. But when you get closer to retirement, it's unlikely you want to do that. If you build money over a lifetime and have some money invested, you don't want to take a huge amount of risk, so your investor profile may change. It can change through circumstances—and not just because of you moving through to maturity. So it's not a time to put all your money in the bank because you know you could be retired for the next 20 years or so and growth will be important to keep up with inflation.

When I first started, the average lifespan was about 70 years for men and about 78 years for women. Now it’s a lot higher, so there's a lot more money going to be required over a longer period of time. In fact, one of my clients has a 102-year-old aunt, and I saw a photo of her the other day. She looks fantastic. I think she's still looking after herself, which is just wonderful.

The Destroyers of Wealth

1) **Procrastination**

   "Oh, I'll get around to it." The very fact that you’re reading this is wonderful. A lot of the stuff you're going to know, but some if you won't. Some things you'll pick up will be useful to you. Maybe you're taking too much risk, investing too much in stocks, not getting appropriate advice on an ongoing basis, or just really not thinking about what you should be doing. But if you are forever “getting round to it” it may get to the “too late” stage.

2) **No strategy**

   "I think I'll just put my money there." Or: "I'll just do that because it sounds like a good idea." A strategy has to have logic behind it. It has to have reasoning, and one of the biggest destroyers of wealth is people thinking, "Oh, I think I'll just do that. It will be fine." Do you have a strategy?

3) **Lack of advice**

   If you've already got a financial adviser, go back to them and say, "Look, I really need to do this again. I need to look into this and do it properly (again). Can you show me how to do that?"

Wealth Created from Accumulation, Not Speculation

Only about 0.6% of the population—the very, very, very wealthy—actually do this by really taking major risks. Most people do it by accumulating cash and other investments, like property, shares and fixed interest bonds.

Believe it or not, fewer than 60% of people in New Zealand are saving for retirement, which is stunning. That's what it is. A lot of people get into KiwiSaver, but then they opt out. So technically, they don't actually save anything.

Debt levels are increasing, but they're slowing down. That's partly because the reserve bank in NZ has put rules in place. Looking at the Auckland market, they're increasing because we've got so much immigration coming in.

Unfortunately, one of the areas where growth is still occurring is in credit cards and short-term debt; like personal loans and hire purchases. That's the most expensive way to borrow money. So if you can avoid it, that's great. Or maybe you can use a credit card properly—the way it's supposed to be used.

Savings accounts don't work in the long-term. They do short-term, but not long-term. They're too accessible, and you tend to get no growth.

When I first started working, I was with Television New Zealand, and I got a big pile of cash every week. I thought, “This is fantastic." So my mother said to me, "Take it out. Just open a cheque account, and put all the money in there." I spent the first paycheck, but I put all the money from the second one in the bank. Then she said, "You have to have a savings account too." So I took all the money out of cheque and put it in savings. But I needed some money, so I put some money from the savings account into the cheque account. And guess what I kept on doing? I just kept on taking money from the savings account and spending it. That's what I did. So now I have a process: There’s some money that’s going to go away and stay away; it’s not to be touched.

Savings are put and take; investments are put and keep. In New Zealand, we have the opportunity to work and earn money. We just haven't learned how to keep money.

At the moment, they're talking about different levels of teaching children, teenagers, young adults, and beyond how to use money properly. If they can start getting this into schools, that’d just be incredibly helpful to everyone. But it can't change overnight, and it's going to take a long time to get through the process.

Looking at what's happened over the years, consider a group of 100 people. Out of that group, one is wealthy, 4 are independent, 5 are working, 27 are dead, and 63 are dependent upon the state. 95% need a financial plan. Now unfortunately, those stats haven't changed much over the years. That’s a shame, but you can be one of the people that actually does make a plan and does something about their future financial freedom.

Three Risk-Reduction Strategies

1) **Dollar-cost averaging** is for those people who are saving. To get the benefit of that, you would not put all of your money into savings. But to get a good return over time, it requires the process of using stock market investments. So even if it dives down, you buy cheaper and cheaper units or shares. And as they go up, they revalue. The trick is finding the right product.

2) **Diversification** is not putting all your eggs in one basket. Make sure that you're actually spreading it around, in case something happens.

3) **Asset allocation** is just putting everything in the right spot. Doing the research to find out what the right spot is!

Accumulating Money More Efficiently

- **Short-term: every 3 years**

  You're using a bank here for your living expenses. You may have a cash trust for emergencies, opportunities, and spending goals. You might just want to pack some money away because something else is happening. I have lots of clients who do that, especially when they're building a house. If they're building a house and they've got a big pile of money, we're going to have to put it somewhere so they can get to it easily.

- **Medium-term: 3 to 5 years**

  This includes fixed-interest funds, property, and mortgage funds. There are not many mortgage investments out there at the moment, but there are a couple. We are just starting to re-examine them. The problem with them is that in the past, a lot of them were involved in property development.

And there were so many companies that went broke doing that. So we have to make sure that we're making the right type of investment.

- **Longer-term: 5 years+**

This is personal or group superannuation, cash, and income for retirement, so it involves KiwiSaver. It could be managed funds, shares, property, or specialty investments, and that could mean many different things. We do get involved with helping clients build property portfolios and showing them how to do that properly.

About 4 or 5 years ago, there were a lot more tax breaks. At this stage, it's still a part of the research of investing in property, so I think there're still benefits to it, especially at the moment. Property prices are relatively low here, and interest rates are falling. And I believe they're going to fall further. So if you're looking at fixing mortgages, be very careful with that at the moment.

A bank is no longer really a bank. It's more of a marketing proposition. So they send out information, stating things like, "This is what we believe is going to happen." But they don't actually know. They have so much power in the community, and they can get that message out there. But just be very careful with what you do in terms of fixing mortgages at present.

You need to invest. You can go into the stock market or into mortgages, which I've explained a little bit. There are several properties that you can get involved in. You can obviously go into residential investment. You can get into commercial investments, and forestry is certainly still there.

But it's all about the numbers. It's all about mathematics. Maybe you can make it work because you've got enough leeway within it, and you've got low interest rates at the moment. They will not stay low forever. Just be careful as to how you do things.

Manage Funds for Diversification

A managed fund is basically a whole big pile of different investments. So you might have a whole bunch of shares of property investments or a whole bunch of fixed interests. And the beauty of them is that you can get in and out of them relatively quickly. You can also have income disbursed from them. You might be looking at term deposits.

In 1985, I had a little bit of money. I had $15,000, and I invested it with a Finance Company at 33% for 90 days. That was pretty darn good. So what are we doing now for 90 days? We'd be lucky if we got around 3.8%. So it's changed. In 20 or 30 years, it's changed phenomenally. And it will change again, so term deposits will go up at some stage.

But the term “deposit area” is very interesting for me because I've got so many clients who are retiring or are already retired. So their income has dropped substantially. You have to be very careful not to put all your money in just term deposits.

Antiques or Collectibles

My favorite story about this is those little dinky toys from the past, like Thunderbirds or Matchbox toys. There was a set of these that were bought for about £10, and the boxes were never opened. This kid just bought this £10 set of toys. He never opened them in the late 60's or early 70's. So they were sold at auction about 10 years ago for about £44,000. Those sorts of things do happen.

I don't know if you watch those antique programs. I love them. I really enjoy watching them because all sorts of different things happen, and the littlest things get the most amazing prices. So I am never going to be negative about this area because some people are really good at it. But it's still all about research.

When my father passed away in 2007, he left a whole pile of stuff, but we found a South African bullet pouch. And he wasn't that old, so I don't know where this came from. It might have been from my grandfather, but that particular item is a collectible.

Futures, Hedge Funds, Currency, and Option Trading

If you want risk, this is where you go. In recent times in New Zealand, currency has probably been talked about the most in terms of the financial environment because the currency has been so high. At one stage, we were just about dollar-for-dollar with the Australian dollar. But we have been higher; we have been at $1.20. The difference is that our economy is not as protected as what it once was. So now we have to be a lot more careful with how we manage currency risks.

I've just come back from Australia. The thing that irks me when I travel overseas is that you will get charged these fees. Your credit card comes back, and it's got a user fee. Or if you're going with cash, you get charged 2 or 3% for that, but there's really no other way of paying safely now while you are overseas.

Investment Process

First of all, we're going to analyze and research economic trends and demographics. We've recently done quite a bit of change with currency here. It was pretty obvious that the dollar was going to fall against the Australian dollar. So we actually did predictions for a few clients. Demographically, things change.

Just in technology in the last 5 years, the changes that have come on board are enormous. Apple now has a watch. Apple made computers 20 years ago; they didn't make watches. There's apparently going to be an Apple car, which is interesting. So there are a lot of different things within different environments that are happening.

I've got a younger client, who I cannot communicate with on a normal phone. I have to talk with him via a special email signal he uses. I don't understand it, but he gave it to me to download.

Economic Trends

At the moment, there's been a lot of doomsday predictions out there. They're saying that everything's going to fall over. If it does, it does. But in my opinion, what we're going to go through during the next 5 to 10 years is going to involve quite an up-and-down period. There's been so much cash put into the American and European markets, but not so much here. Australia's got a bit of it, as has Canada. Greece has got a lot of it, but there's a lot of money just being literally printed and put into the market. That will cause an inflation rate that will push prices up at some stage.

There is also another trend associated with demographics. A lot of Baby Boomers are retiring, so there's going to be a lot of draw on retirement funds. And there's going to be a lot of houses that are going to be sold, but there's not going to be as many people wanting to buy them.

And again, we live a lot longer because we're looked after a lot better medically. We eat better, and we exercise. So with all this happening our demographic is changing.

Asset Allocation

Make sure that everything is in the right spot: how much money you have for cash, how much money you have in terms of fixed interest, property, or shares. That's going to be different for everyone. Different age, different stage.

Choices of Products

There are heaps and heaps of products out there, again literally thousands—not just here, but also of course all over the world. Our concentration is on using international products that are NZ dollar and Australian dollar based. We can access the rest of the world from here.

Monitor things. Just make sure that everything is up-to-date, and it's moving along nicely. And there are changes from time-to-time. You may have heard the saying, “Once everything's set, there are not huge changes.” There might be a little bit of tweaking now and then, but that doesn't happen that often.

Looking at a conservative person, as opposed to a balanced person, the conservative person has a lot more money in cash and fixed interests. And the balanced one has a lot more money in other areas. So it’s spread across all sorts of different companies, industries, and investment instruments.

Regarding geographical concentration, I think that having international allocation is really important; the world is so much bigger than us. We are about 0.1% of the size of world economies. So if we have a good or bad day, it doesn't matter. That's why you should invest quite a lot of money offshore if you can—not all of it, but some of it. In excess of 70% of returns come from this process over time. It’s about allocating a worldwide viewpoint of things, and the spreading investments everywhere.

Portfolio Management

If you have advice about investments and portfolio management, that will change things and add to your return quite dramatically. Here’s the investment advice we can give you: The real gain to the investor is **lowering your risk and enhancing**

your returns. But if you use a more ongoing service, you'll get better returns over time.

An **aggressive-growth type investor** sees the money go up and down. That almost mirrors what's been going on recently. It's an aggressive growth of capital, investment shares, equities, and properties, as well as actively managed investment returns. I mentioned my 73-year-old, super-risky client.
He just loves volatility. The more up-and-down he can get the better.

And then there's a **conservative-growth type of investor**. That means conservative growth of capital, investing conservatively, and low volatility. So they're not going to get the ups and downs. That's just not going to happen, but the returns are lower every time. Again, everybody's different.

Balanced Fund

This is a balance of income and growth, a mixture of investments, and a balanced of portfolio measurements. And it's moderately volatile. Actually, most of us are like this. So when we do our profiling with you, most people sit there, which is really interesting. It is a mixture of all of those, so you get somebody who's highly balanced or extremely low-balanced. It's all over the place. It just depends on what pops up.

One of the profiling quizzes asks, "You inherit a property. A property is worth $300,000. But if you spend $100,000 on it, it will be worth $600,000. But you've just found out they're going to build a motorway right next to it. What do you do?" And that shows us quite a lot. It tells us quite a lot about how wise you are with money and what you want to do.

Research We Use To Get You Results

We use a variety of investment houses, including FundSource, Morning Star, First NZ Capital, and FinaMetrica. FinaMetrica is the company we use for profiling, and it can help us build a strong, correctly allocated portfolio for you.

Partners in Your Future

If your Adviser isn't treating you like his # 1 client, then let us help …

We'll look at all your goods, your day-to-day financial demands and your individual needs before anything else. That way, we both understand what you're trying to achieve. Then we'll create a sure fire recipe to ensure a bright future for you and your family.

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"What would be different in your life if you knew exactly what you wanted to achieve . . . and how to go about it?"