Financial Prosperity Partners

FINANCIAL CAPABILITY

Many commentaries have been written recently about financial capability and our actual or likely lifestyles in retirement.

It is certainly evident that there is a wave of 'silver haired' people within our communities now and this creates and changes the demand for goods and services.

Are we as retirees, or soon to be retirees, getting the best for our money and strategies. Importantly, are we doing the best for our beneficiaries and encouraging them where we can?

A recent article noted, in reference to relying on fixed interest investments, along the lines - these are difficult times for risk-averse investors and careful planning will be required to minimize the pain that lies ahead.

Whilst I would not agree with such a definitive statement in relation to fixed interest strategies, of 'pain that lies ahead", there is no doubt that a strategy such as this may cause future pain. Of course, some of us also chose to have predominantly fixed interest investments for perceived peace of mind. It is important to keep in mind however, as I am sure few of us can forget, the significant wealth which was wiped off the New Zealand landscape as a result of finance company collapses. Fixed interest strategies can certainly deceptively hide risk, without careful examination.

Other articles, one written recently in conjunction with the Commission for Financial Capability (August 2015) highlights some interesting statistics. Some 46% of those surveyed do not have a financial plan in place for their retirement. As well, 24% of respondents are living alone, giving rise to other financial challenges. How do we combat this? Here's my check-list:

- Be mortgage free at retirement. If this means working a few more years past age 65 years to do so, so be it. This of course assumes one is healthy enough to keep working.
- It may be necessary to lower one's sights as to retirement income spending and/or supplement our income further. Whilst New Zealand superannuation will provide payments for those over 65 years of age, perhaps this can be supplemented by part-time work in the local community?
- If you enjoy what you are doing, and are fortunate to have good health, keep working longer, although likely on a part-time basis. As Michael Hill is noted as saying, 'never retire'!
- Consider ways that the budget can be trimmed. For example, growing some vegetables or if, like me, you live in an apartment, grow some herbs on the window-sill or bench top. The cost of these items can add up on a regular basis.
- Revisit your asset allocations. All of your money in fixed interest will penalize you with a lower return. Perhaps a portion can be effectively allocated to growth assets, without you feeling uncomfortable.
- Only spend 5% of your investment funds with any one entity (debt or equity) – and that includes banks. If you quickly run out of suitable banks using this rule, talk to an Authorised Financial Advisor.

Finally, to leave a lasting legacy encourage the younger generation in the investment arena, whether by educating them or establishing KiwiSaver or investment accounts on their behalf. (As the Financial Services Council recently noted – 1 October 2015 – 'younger New Zealanders should take time to ring their grand-parents today').

A good strategy will provide peace of mind and happiness for you and your beneficiaries.

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~ Providers of asset class funds and KiwiSaver investments ~

Confidential, no-obligation consultations are available with Authorised Financial Advisor, Joy Durrant, at **(04) 470-7762** or **joy@prosperity.co.nz**

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