swainwoodhamgroup

Pulse!

Newsletter Christmas 2014

And the winners are…

SwainWoodham Group has won two prestigious industry awards for being among the elite of the financial services industry. At the KEPA awards, we were awarded 'Elite Plus' status. This would not have been possible unless our clients put their trust and faith in us as their financial service providers, backed up with support and care shown at claim time by our team. Thank you for that.

But it didn't stop there. Corey Williams won the highest possible award for his work with clients, and right behind him were Nigel Hickey and Brian Burgess, with 'Gold' awards. Dr Dave McMillan, director of Kepa says, "These advisers appreciate the value of looking after their clients and ensuring that they have the perfect mix of insurance policies to suit their needs."

Also awarded was the prestigious 'Peak Award'. This was presented by insurer Partners Life, who nominate the financial services practices which have demonstrated the most professionalism, ethics and excellence in working to deliver the best options to clients. It also takes into account the community connection of the firm. Simon Fisher, Chief Sales Officer for Partners Life says, "SwainWoodham is a highly trusted and reliable brand in the Canterbury market and we believe that a strong community connection is a key part of being a professional financial services practice."

From Left: Corey Williams, Sharyn Colville, Simon Fisher – Partners Life Chief Sales Officer, Naomi Ballantyne – Partners Life Managing Director, Nigel Hickey, Emily Neill, Lynette Anderson & Brian Burgess. Insert: Scott Stokes

Jeff Page – Kepa CEO & Corey Williams

At SwainWoodham Group, we are a small team that put client needs ahead of all else and we are delighted to have had this recognised through these awards. Thank you to all of our clients for your support and we will strive to continue with our efforts on your behalf.

Warren Buffett wisely said: "Wealth is the transfer of money from the impatient to the patient"

Christmas! The joy or the pain

Christmas can end up as a wonderful time with well received gifts, a great holiday break and then back to work in the New Year refreshed, rejuvenated and revived.

Or it can end up with you in greater debt, a marriage under stress and wanting to get back to work to take your mind off things at home. There can be more marriage separations in January than any other month with many of these due to financial stress.

So here are four tips that make coping with Christmas easier.

1. Tell your family that gifts are limited to say $25. It is fun to find things for such a budget.
2. It doesn't have to be an expensive Xmas dinner, as kids are far keener on a BBQ'd sausage than any restaurant or meal with all the trimmings.
3. Remember Boxing Day bargains. Some items you need for the holiday, or even gifts, can be bought that day at considerably lower prices.
4. Start a Christmas club now for 2015 at your local supermarket. I know it's over a year away, but starting now will ensure that you have one. Just $10 a week comes to $500 by Christmas next year.

How to control debt in 7 steps

Debt causes stress, loss of sleep, illness and marriages to fail. And it simply doesn't allow you to ever get ahead. Here are 7 things to do to get yourself out of debt.

1. Decide that you really want to get out of debt. Your partner must agree to work with you on this. It's as much a head-space issue as it is a money management issue.
2. Create an emergency fund of at least $1,000 as fast as you can. Perhaps $100 each fortnight into a separate account. This is important or you won't do step 3.

3. Cut up or freeze your credit card since you now have an emergency fund. Why run up more debt?! The emergency fund in effect becomes your credit card as it will be there for unexpected car repairs, higher than normal bills or school fees which you may have otherwise put on your card and added to your debt.
4. Pay cash for weekly living. Each week take out a set amount for groceries, petrol and an allowance for each of you and your partner. Then you can never overspend. This will save you THOUSANDS! One family reduced their weekly grocery bill by over $100 using cash. That is $5,000 per year!
5. Pay off debt smallest to biggest. Ignore interest rates! List all your debts in order of size and pay them off smallest to biggest – hire purchases, credit cards, personal loans etc. This allows you to cross them off and gives incentive to keep going. This is a critical component of debt management.
6. Sell stuff. Use Trade Me and garage sales to sell anything you can find. Use this to pay off debt.
7. Give your family a backup in case something strikes health wise before it's all paid off. This is in the form of life and disability cover so all debts can be paid for your family if you are not able to work or you die.

Mortgage interest rates are stable, but it's not the rate that matters.

It's how you manage your mortgage the matters most. Make sure you know your options and how best to manage your situation. And there lies the key – your personal situation. Circumstances of work, family, household income and more children can change significantly and will have an impact on your financial situation.

If you get a pay increase, consider increasing your loan repayments. You will be stunned at the impact of even small increases. By way of example, let's take a $300,000 loan over 25 years at $934 per fortnight repayments. If you added $100 to each payment, that brings the term down to 19.9 years with the interest saving over $70,000 for the term of the loan. Adding $200 brings it down to 16.6 years and a saving of $116,000 in interest.

Clearly it's how you manage it that makes the biggest difference.

Why do we change houses so often?

These are the results of a US study of 41,000 people on why people move houses. No similar study is known to have been undertaken in NZ, but it is reasonable to assume that the results would be similar.

Housing requirements were the biggest at 52%, including 18% to get a 'better or larger house' and 11% moving from renting to owning. Just 5.5% downsized to free up some capital or to reduce the section size and therefore maintenance.

Family related reasons accounted for 26%, which included 6.2% for marriage break-ups and 7% for kids leaving the family home to be in their own home.

Work related was 16%, to be closer to a place of work.

Health related only accounted for 2% and perhaps surprisingly, only 0.4% change because of retirement.

There are no known statistics of those moving to be in a better school zone, as regularly reported in the news, however this is known to happen. The bottom line is that as personal circumstances change, your house will often change too.

When is an investment NOT an investment?

It is universally held that there are four and only four types of investment. The fifth, discussed below is not.

The first two are bank deposits and fixed interest bonds. The later includes those offered by local government or finance companies. They pay interest and at the end of the term, you get back the exact same amount of money. No unpredictability and good as a short term investment, such as three to five years.

The next type is shares. These also offer a regular dividend payment, but can fluctuate based on the company's performance and market conditions. They are unpredictable, but so long as you can ride out the lows (which invariably there are), they are a good growth component of a long term investment portfolio.

The fourth type is property, which offers rental income. Property is often regarded as far more predictable, but can also have its own fluctuations. To get the most out of a property investment, consider it a ten year plus option. The best part of an investment property is that there is almost no input required from you as the owner during the tenure of ownership if you have it under a property management company.

To be a true investment, an asset must offer a regular return (an expected income). Fixed interest, property and shares all offer this. Pieces of art, antiques, car licence 'investment' plates and gold or other similar items are NOT investments for this reason. They are speculation, as the only money you can expect to make is by selling the asset for a higher price. This is like placing a bet and hoping it comes in. There is absolutely no guarantee, as the buy price is invariably based on emotion and not logic.

Investments are taken out to park some money and allow it to grow for your retirement. Choose a mix carefully across the range of four described here.

Don't let a business failure take your house!

Many business start-ups use personal assets like the family home as security for the required capital. This is fine if you have the right protections in place such as limited liability companies, family trusts along with appropriate insurances to cover against an inability to generate an income or going bust.

It is very easy to set these up so that an issue on one side doesn't affect an issue on the other. We are able to advise you on the right mix of protections if you have mixed personal and business assets. Call us for a run through if this applies to you.

2 bullets that lead to 16 million deaths!

It's been 100 years since World War 1 began, when Archduke Franz Ferdinand and his wife of the Austro-Hungarian Empire were assassinated by two bullets in Sarajevo on June 28, 1914.

Austro-Hungary immediately declared war on Serbia. Now Germany supported Austro-Hungary in its declaration of war, while Russia supported Serbia, due to a treaty held between them. Germany therefore declared war on Russia on August 1 and subsequently on France, since France was Russia's ally.

Then on August 4, 1914, German troops swept through Belgium on their way to invade France. This defied the neutrality that Belgium was promised by Great Britain, so Great Britain (and her Empire that included New Zealand) declared war on Germany that same day.

Looking back, this appears to have been a quite ridiculous series of events. But what followed was four years of war that killed over 9 million soldiers and 7 million civilians. New Zealand sent 100,000 troops overseas, from its population at the time of just one million. 18,000 of these kiwi soldiers were killed and 41,000 were wounded. This was the highest ratio of casualties to soldiers of any nation that fought in WW1. Please take a moment to reflect on this.

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