

# MERRY CHRISTMAS



PERSONAL INVESTMENT CENTRE  
FINANCIAL PLANNERS AND INVESTMENT ADVISERS

November/December 2020



## From Pete's Desk

We seem to be finishing our year off in the usual fashion—90 miles an hour! Hasn't been helped with Stephen and I attending our group (TIAA) conference at Millbrook, Queenstown. We had an excellent presentation around the Trust Law Act 2019 - You will find an article on page three regarding changes, if you wish to discuss any issues please feel free to give us a call.

It is always good to catch up with your peers and get confirmation that your approach to the market is being mirrored by others. From there I shot into Hanmer to join Lynne, Irene and Emily (Grandaughter) and attend a family celebration. Emily had managed a bungy jump from the Hanmer bridge prior to my arrival. They had also enjoyed the hot pools (bath temperature apparently). We then had a couple of days in Akoroa. We were there on a Monday/Tuesday and you certainly noticed a lack of tourists. We can thoroughly recommend the boat trip with the "Akoroa Dolphin Cruises". We were on a brand new \$2m+ catamaran (just hit the water before Covid-19 struck), only the 4 of us plus crew, which included the Schnauzer, Buster. Apparently the dogs can hear the dolphins under the boat, whereas the humans think they have dived and disappeared. Akaroa residents have done an excellent job of protecting the Hector's Dolphin, numbers now are up around the 1,000 mark from 250-300.



We also went to the Giants House, artist Josie Martin is in to mosaics and gardening. We thoroughly enjoyed our visit—colours were just brilliant at this time of year. So if you are looking for a holiday spot that is in need of your "Tourist Dollar" look no further than Akoroa. I'm looking forward to saying goodbye to 2020; and wishing for a settled 2021. There are some words I hope will fade away in 2021—Covid-19, lockdown, masks, alert levels, isolation, staycation, Trumpism's, and my all time non-favourite unprecedented,



**Wishing you all safe and happy holidays and look forward to catching up in the New Year to hear what you have been up to and plan for 2021 onwards**



## Trusts Law Act 2019 takes affect from 30th January 2021



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# Trust Law Changes

The updated Act applies to all trusts that already exist on 30 July 2019 and will apply to all future trusts..

Trustees, settlors and beneficiaries should all be aware that there is a new Trusts Act 2019, which comes into force on 30 January 2021. The new Act makes some significant changes to current trust law, and everyone who is involved with a Trust needs to know the new legislation. Trusts are an extremely popular asset planning tool in New Zealand, and used correctly they can still be totally valid and very useful.

The objectives of the Trusts Act 2019 are to:

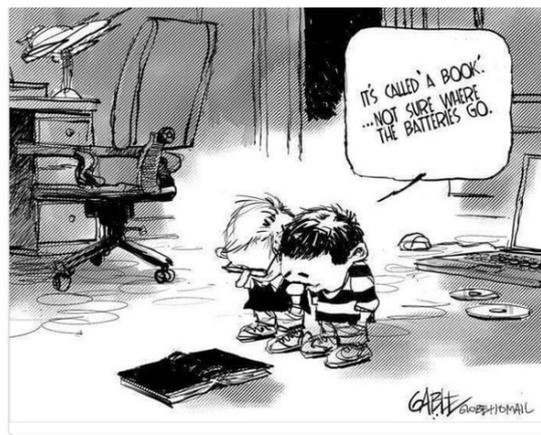
- Set out clear and accessible core trust principles
- Ensure more efficient trust administration
- Simplify and clarify the role of the courts in relation to trusts.

## Notable changes to the Act that may affect investors are;

- **Beneficiary Rights** to certain trust information—trustees have to regularly consider, at reasonable intervals, whether they should be making basic trust information available, for example if a beneficiary has just turned 18 years of age.
- **Record Retention Requirements**—the core documents of a Trust must be kept for the lifetime of the Trust and transactions and decision making of trustees requires documentation.
- Trustees will have the discretion to determine whether a return is to be treated as income or capital for the purposes of distribution. We see this as a very welcome change.

## Things to consider regarding the Trusts Act 2019

- Review the Trust—is a Trust still needed?
- Is it fit for purpose?
- Is there a Memorandum or Statement setting out the Settlor's wishes for the Trust?
- What is the required number of Trustees?
- Who are the Trustees?
- Are all Trustees of full capacity?
- Should the Trustees be changed?
- Has gifting of money owed by the Trust been completed?
- Is all required information held?
- Who holds and/or will hold Power of Appointment of Trustees.
- Limitation of Liability for independent/professional Trustees.
- Trusts that have modest investment positions may face cost/benefit issues with a likely requirement for full financial accounts/greater compliance.



## While you are reflecting on the Trust it is also a good time to check:

- Is the Settlor's Will up to date? Does it reflect their current wishes?
- Does the Trust tie into the Settlor's Will?

If you have any questions regarding the Trusts Act 2019 and how it may affect your investments, please get in touch with Peter or Stephen—it was a subject discussed at length at the recent TIAA conference. We are not experts in this field but can help you review your estate planning and structures. Where any need for change is identified we will refer/work with your legal professional to consult and implement any changes required.

## Stephen's Ponderings



As Pete has mentioned, we are both just back from our Adviser group conference and trying to finish everything we need to get done before Christmas. It is always a crazy few weeks' and this year it follows a crazy 12 months. Like a lot of people, I will be quite happy to see the end of 2020.

Alongside the changes to the Trust Act, the other big topic at our conference was the level of interest rates and how to achieve reasonable returns from defensive assets. We've been discussing this issue for some time and there are no easy answers. Increasing risk exposure at this time is potentially dangerous to your wealth should the market take a correction in the short-term. It will be very interesting to see how next year develops with a new President in the US, house prices out of control here, and Covid vaccines being rolled out.

Our conference was my first time in the Queenstown area. It was a crying shame to be at Millbrook and not play a round of golf! In fact, I saw so little of the sights that Karen and I have decided to go back with the kids in January. It seems a good time to go, quieter than usual without the international tourists and also nice to provide some support for local businesses. We will no doubt do the tourist things – a trip on the TSS Earnslaw, luge rides, trips to Arrowtown and Wanaka etc – and it will be great to have the opportunity to be on holiday. With everything that is happening in the world, we are incredibly lucky in NZ to be able to have the freedom to travel domestically over the summer and to spend time with family and friends.

I hope that you all have a good time over the New Year period and that 2021 is much improved for everyone. Even though the office will be closed, don't hesitate to get in touch if there is anything you'd like to discuss. Merry Christmas.



## The Bank of Mum and Dad

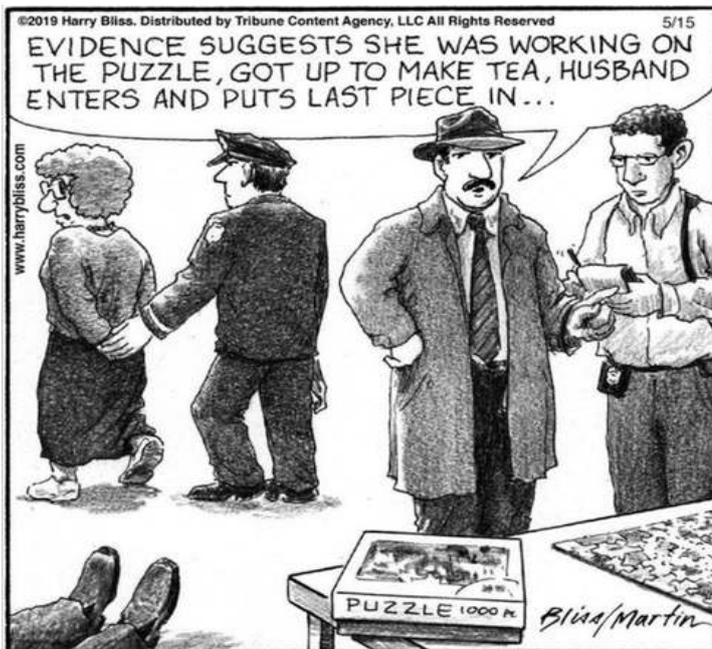
With LVR's being implemented, higher deposits required and a maddening of the crowds to be on the property ladder children/grandchildren are looking to their parents/grandparents to assist them into housing. This can be all-right if you have surplus funds that you are not in need of, but it can also be fraught with pitfalls. Are you going to charge interest? Can they afford to start repaying you now or is the bank mortgage going to take all their funds? Are you just looking to forgive the debt when you die?

If you are approaching retirement it is important that you have a sound financial base to get you through – people are living well into their 90's now and that nest egg needs to stretch. There are some that say to have a "comfortable retirement" a couple would require \$640,000. Of course, if this is not achievable you would "cut your cloth". If you lend to family it could mean that instead of retiring at 65 you must work on to later years to build your funds back up. For those already retired, you have lost the capacity to save further funds and with interest rates low you should consider that every \$20,000 you lend would be losing around \$800 pa of income for your own expenditure needs on what you had before.

Some lenders will look for a guarantor underneath to secure their lending. Our advice would be **DON'T**, unless you seek financial and legal advice first. If you agree to be a guarantor, you are committing yourself to paying back the entire loan if the borrower defaults. In a default scenario you can bet your bottom dollar that the lender will be going "where the money is". There have been instances where the parents/grandparents have had to mortgage their own homes to repay loans they have guaranteed (or even worse have had to sell). To have to do this leading up to retirement, or already in retirement, would be horrendous and we can just about quarantee it will cause friction within the wider family.

If you are asked by family for a loan please seek advice; we are happy to talk you through the issues.





## Personal Changes

Don't forget...

It is important that you advise us if you:

- ⇒ **Change your bank account**
- ⇒ **Change your address**
- ⇒ **Change your Will or set up POA's**
- ⇒ **Change your Trustee**
- ⇒ **Change your email address**
- ⇒ **Have any other changes in your life that may relate to ownership structure or strategy**

Bank account and address/email changes are obviously important to ensure that withdrawals and correspondence get to the right place but it is also important if you change your Will or Estate structure. This could mean that your investments may need to be set up differently e.g. if you set up a Tenants in Common structure or a Trust structure. Our recommendation would be "if in doubt—give us a call" to ensure your portfolio is in alignment.

## Out of the Office



The Office will close  
 Wednesday 23rd December 2020  
 And re-open  
 Monday 18th January 2021

**Anything urgent phone 027 2464 061**



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