Total Wealth

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Update from Total Wealth

Katrina is excited to announce the addition of Brian Coker to the Total Wealth team. Brian brings a wealth of experience with him having been a financial adviser for over 30 years and also having particular expertise in regard to estates and trusts. Brian's role is that of consultant and will assist Katrina with all aspects of managing client portfolios and helping to keep the administration side of the business running smoothly. He looks forward to meeting you when you call into the office.

In conjunction with Brian starting Julie Hercock has reduced the number of hours she works with Total Wealth to specialise in Business Advisory and Accountancy services. This is in conjunction with starting her own Chartered Accountancy business, Beyond the Quill Ltd. Julie has been an invaluable part of Total Wealth and her quiet efficiency will be missed but it is great that she will still be around the office working on some special projects.

Remember that we would love to see you at the office at Unit 1B / 333 Harewood Road, Bishopdale Mall, Christchurch. (right behind the TAB). Just telephone first to ensure that we are here as often we are out with clients.

Brian Coker

Brian comes to Total Wealth with extensive experience gained over the past 30+ years. Initially working for a major Canterbury law firm Brian specialised in property law matters and trust and estate work at which time Brian completed his post graduate diploma in personal financial planning. At the time of moving to a leading trust company in 2001 Brian was the firm's estate and trust manager and undertaking financial planning and investment work for a diverse range of estates, trusts and private clients.

Financial planning has been the sole focus of Brian's work in subsequent roles which have included a period as national manager of advisory services for the trust company.

Brian doesn't take his duty to clients lightly and is aware of the trust placed in him to assist in managing and protecting a client's investments so that they have the confidence to enjoy life and sleep easy at night.

Brian has surrendered his financial adviser registration and will not provide advice directly to clients but in a part-time capacity will support Katrina in providing the best advice and solutions to meet client's needs.

In 2011 Brian lost both legs in the devastating Christchurch earthquake. While this has hampered his love of tramping it has not prevented him from competing in the New York marathon, travelling with wife Helen and indulging in their joint passion for gardening on 3600m2 around their new West Melton home.

Mortgages

You are most likely at the stage of your life where you are settled in your own home and the mortgage has been paid off or nearly so. What about your children or grandchildren? Whether looking to buy a first home, second home, forever home or an investment property Total Wealth can help turn dreams into bricks and mortar.

We can help from start to finish, by answering these questions:

- How do I save for a deposit?
- How much do I need for a deposit?
- Is there any additional help available?
- How much can I borrow and how quickly can I repay?
- How much time and interest can I save if I increase my repayments?

At Total Wealth we can help you or your nearest and dearest achieve financial goals by answering all these questions and working with you and the lender to put the right structure in place.

Insurance

Insurance is vital for protecting the things we love or value. Underlying any financial plan or investment plan is cashflow. If life throws something at you and it changes your cashflow or income, then there is a risk that your other financial plans will be affected.

Protection of your income or cashflow is critical to the success of any financial plan. At Total Wealth we can look at the different Insurance options, for protecting you and your family rain or shine.

Total Wealth wants to give you peace of mind. We will help you to identify and quantify the risks to ensure we find the right solution for you. We utilise independent research along with our analysis. We want to ensure if you have to claim then you are armed with suitable insurance.

The Coronavirus Impact on Markets

The saying goes 'that when the US sneezes New Zealand catches cold', how prophetic those words seem to be in respect to coronavirus. Even though we remain, at the time of writing, relatively free of the virus (eight cases reported to date) the economic impact is far-reaching and particularly to our in-bound tourism market which spreads to many different sectors. What follows is an update from Tony Alexander, formerly of the BNZ but now an independent economic commentator. We commend the following article to you as a good summary of the impact of the virus. Even though it is longer than what we would usually publish we feel that it is worthwhile to include the full unabridged commentary.

A Checklist on Our Economy During the Virus Shock (written 11 March)

People are very confused as to what the virus outbreak means for our economy, businesses, householders, wage earners etc. This commentary contains some simple lists of dot-points aimed at helping you better put the shock into context, and hopefully drag folk away from the sort of emotions which have driven panic buying of toilet paper. Assuming no Italy-like lockdown here in NZ…

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The Covid-19 outbreak is hitting our economy in at least 4 ways.

1. Foreign Tourism employs 165,000 people and is very important for some regions. Bookings inward and outward are collapsing worldwide. This sector will feel the deepest impact and business closures will happen.
2. Exporters affected by China's temporary closures. Current pain for forestry, fishing, universities etc. will ease within 2-4 months as China reopens, docks are cleared, and shipping gets re-established. Layoffs and shortened work hours will be minor and short-lived.
3. Importers of vital components. Production interruptions and stoppages are coming for many manufacturers and builders short of vital parts. Layoffs will not be widespread given structural staff shortages. But reduced hours, shifts toward maintenance etc. are coming. Hopefully the worst will be over within four months.
4. Outright uncertainty, confusion and angst, along with news of probable recessions offshore will make us all cautious about spending, hiring, and initiating new projects. This effect is driven by "animal spirits" rather than solid income declines, and we cannot know when people will regain previous faith in their personal, business, and economic outlooks.

This will not be a normal recession, and some people will feel little pain beyond the confusion.

1. The Reserve Bank has not pushed mortgage rates to 11% as happened in 1998 and 2008. Mortgage pain will not just be absent, but imminent rate cuts mean cash relief will occur for many. [OCR was in fact cut to 0.25% for 12 months on 16 March]
2. The NZ dollar has not soared so exporters broadly are not experiencing the usual 12-18 m March] pain before the cities ultimately feel it.
3. Export commodity prices have not collapsed.
4. Oil prices have not just soared.

5. Financial institutions and markets have not crashed. Share prices were due for a “correction” after rises the past year at odds with underlying economic health
6. What will cushion the household and business pain?

What will cushion the household and business pain?

1. Cheaper petrol and diesel.
2. Lower borrowing costs and absence of pre-downturn rate hikes.
3. Housing shortages which will keep house prices supported – except in tourist locations.
4. Net migration flows (therefore population growth) may slightly improve as Kiwis stay here rather than shift offshore.
5. A slightly lower NZ dollar.
6. Specific government measures targeted to the businesses noted above.
7. A generalised easing of fiscal policy targeting most household incomes and some business expenses generally. Fiscal headroom for doing this is huge. Details are awaited.
8. This year we may lose most of the expected 4 million foreign tourists. But the 3.2 million trips we were going to take offshore also won’t occur. We will divert some of our saved thousands of dollars to local travel and maybe some large items like TVs.
9. NZ banks are in good shape (even better than pre-GFC when no Kiwi depositor lost any money in an NZ or Aussie bank), dependence on foreign financing is low, so tightening of lending will be muted.
10. We Kiwis don’t/can’t borrow money to invest in shares. Falling share prices hit wealth we weren’t going to use for spending for many years.
11. We haven’t overbuilt things going into the downturn, therefore construction weakness will be minor, based largely upon material shortages, and short-lived compared with normal recessions.
12. Good feelings about reduced global carbon emissions

What Can Businesses Do?

1. This virus shock is the trigger for an acceleration and condensing in time of a three-year period of “weeding out across all business sectors which I have warned about for the past couple of years. Many firms need to adjust their strategies to reflect their loss of pricing power, structural shortages of labour, new social pressures around plastics etc., and reduced availability of bank credit. Plus, after five good years quite a few inefficiencies and bloated expenses will have built up.
2. The recession will present opportunities to find good staff “freed” from other sectors.
3. Maintain advertising focussed on branding, and invest more in IT as research shows firms which do these two things emerge better in the upturn than those who slash spending on everything.
4. Talk with your banker – before they call to talk to you.
5. Talk with your staff and discuss boosting normal hygiene practices. They are more confused about what to think and feel than you are. 29% of them have never been in work during a recession.
6. Big firms can help small ones by paying bills more quickly. Can you do something nice for local healthcare workers?

What Can Householders and Wage Earners Do?

1. Remember that layoffs outside tourism will be very limited because good staff are in short supply and businesses know that if they sack people now they risk never returning to their previous business size when the upturn comes. Slashing of personal spending is therefore not warranted. However, while we are in the maelstrom trying to put a timing on the route out, exercise caution with spending on luxuries and big-ticket items, bargain for discounts. Treat yourself and those around you to small, special purchases.
2. Holiday in NZ this year. See Queenstown and Rotorua’s mud pools without busloads of tourists blocking the vistas. Buy services (locally produced) rather than things manufactured offshore.
3. Bring forward your plan to cut your work hours to undertake more training or working toward a new qualification.

What Can Investors Do?

1. Sit tight by and large and wait for things to settle down, recognising no-one knows where market bottoms lie, or the timing and speed of recoveries. Panicking usually just provides bargains for those who have seen these sell-off periods before. Those making regular contributions to investment plans will be buying assets at cheaper prices now than some weeks back.
2. If you own investment property – residential or commercial – talk with tenants and be prepared to assist through delaying or reducing some rent payments.

The following is an update from Tony Alexander as at Monday 16 March.

Now that weakness is more apparent, the borders have been effectively closed, and the Reserve Bank have made a 0.75% cash rate cut to a record low of 0.25%, some people are claiming we are seeing a repeat of the 2008-09 Global Financial Crisis, or aftermath of the 1987 sharemarket crash. Neither scenario is applicable, though in the travel and hospitality sectors this will be the worst decline they have ever seen.

This Isn't 1987

Falls in some share indexes late last week might have been the worst one-day percentage declines since the 1987 Black Monday crash. But that does not mean we face the same four-year recession which followed that October decline.

1. Back then our economy was being battered by large declines in the manufacturing and farming bases because of the removal of subsidies.
2. Inflation both here and overseas was high and requiring tight monetary policies.
3. Our net migration flows were outward to the tune of some 89,000 people between 1982 and 1989.
4. Banks had undertaken exceedingly bad lending between 1984 and 1987 and as a result the BNZ eventually required it's second bailout come election night 1990.
5. There had been over-construction of commercial property in our main centres.
6. People had borrowed money to invest in shares and took part in suburban share clubs to speculate on what to buy.
7. Our terms of trade were about the lowest in decades bar the immediate period following the 1973/74 oil price hikes.
8. The NZ dollar had just climbed 27% against the US dollar in the previous year.
9. There was political turmoil with conflict between the Prime Minister and Finance Minister and a stalling of vital reforms for a period.
10. Policy response was tardy. Mortgage rates were still at 18% six months after the sharemarket crash.

None of these factors are present this time. In similar vein…

This Isn't 2008-09

Some people are claiming this is a repeat of the Global Financial Crisis which almost tipped into a repeat of the 1930s Great Depression. But again, there are major differences.

1. Heading into the GFC New Zealand was already in recession with the Reserve Bank having pushed mortgage rates to almost 11%.
2. The Kiwi dollar TWI then was about 15% above its ten-year average versus slightly below average for the past year.
3. Global monetary policies had been tightened ahead of the 2008 GFC crash.
4. Massive over-construction of houses had occurred in some countries and the ending of credit flows revealed these excesses and house prices collapsed.
5. US house prices had been falling for over two years before the late-2008 collapse of Lehman Brothers.
6. Banks had undertaken extremely bad lending overseas, encouraged from 1995 by President Clinton attempting to boost lending to low income households by penalising banks which did not undertake sufficient such lending.

7. Oil prices rose into the GFC by around 75% whereas heading into this shock they have declined slightly – and now collapsed because of the Russia/Saudi Arabia feud.
8. The GFC was driven by a loss of confidence in the viability of banks around the world and fears of more collapses like Lehman's. No similarly intense fear exists now and central banks have moved immediately to not just quickly cut interest rates but to strongly boost liquidity availability.
9. Governments are moving immediately to initiate large fiscal assistance and stimulus packages.
10. In the five years leading into the GFC NZ household debt had soared 81%. The rise these past five years has been 39%. Business debt grew 85%, now 36%, farming 106%, now 20%.
11. China's control of the virus outbreak and gradual reopening of business and personal interactions gives a potential timeframe for the worst of the shock in the West passing which did not exist in 2008.

Neither of these lists is meant to imply that we are not heading into recession, that many businesses will not fail, or that many people will not lose their jobs. The pain will be intense and we do not really know how long it will last, although China is providing some guidance. Apple have just closed all their stores outside of China, while reopening those in China. New infections there have fallen to almost zero, less than two months after Wuhan then Hebei province were locked down.

The immediacy and magnitude of policy response on Monday 16 March from the Reserve Bank and expected, at the time of writing, from the Finance Minister will provide substantial cushioning to the economy.

These commentaries are merely aimed at dragging people away from the most pessimistic scenarios which can lead to panicked decisions and failure to prepare for the eventual recovery which, when it comes, will have three elements about it not seen since the end of the Second World War.

1. Relief at cessation of the loss of life.
2. Pride in a community spirit of togetherness against a common threat.
3. The embracing of freedom. (What will free people spend their money on, especially the amount not spent on foreign travel?)

Until this time comes, take measures to achieve the following.

1. Protect your cash flows.
2. Discuss issues with your banker.
3. Seek to reassure staff whilst making any necessary workforce adjustments.
4. Maintain brand advertising and examine IT investments needed for streamlining, information gathering, and flexibility-enhancing purposes.
5. Move away from low-return products, markets, and clients.
6. Focus on getting in fit state for the recovery and not just hunkering down for the Wuhan-like recession.

What I need to know about coronavirus

According to the Ministry of Health, the most simple and effective way to protect yourself from infectious disease - like *coronavirus* - is to wash your hands thoroughly and often.

And if you think you're already doing that, you might be surprised.

Ministry guidelines say good hand washing means rubbing hands together with soap for 20 seconds. You're likely not even washing for half of that. A good way of timing 20 seconds of washing that doesn't require setting a timer on your phone, is to sing *Happy Birthday to You* in your head (or out loud, if you like) twice through at a normal tempo.

Ministry of Health's Steps for Clean Hands:

1. Wet your hands under clean running water. Use warm water if available.
2. Put soap on your hands and wash for 20 seconds. Liquid soap is best.
3. Rub hands together until the soap makes bubbles.
4. Rub on both sides of both hands... and in between fingers and thumbs... and round and round both hands.
5. Rinse all the soap off under clean running water. Use warm water if available.
6. Dry your hands all over for 20 seconds. Using a paper towel is best (or, if at home, a clean dry towel).

Be Aware of Coughing

Always cough into your elbow or sleeve rather than coughing into your hand. Be Aware of others who may cough into their hands and then potentially spread any virus.

Try and refrain from touching your face especially following touching things such as hand rails or doors in public spaces and **wash your hands often**.

Feedback

Your feedback makes us better. Let us know what you think about our services and support by visiting our website, sending us an email or giving us a call. All opinions are valued

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