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**YOU ARE AROUND 18 YEARS OLD**
**YOU WANT TO ADD VALUE TO WHATEVER YOU DO**
**YOU WANT TO GET LONG TERM JOB SATISFACTION**
**YOU APPRECIATE WHAT YOUR PARENTS HAVE HAD TO COPE WITH**
**YOU HAVE DISCIPLINE, ENERGY AND STICKABILITY**
**YOU WANT TO MAKE A FINANCIAL SUCCESS WITH WHATEVER YOU DO**
**YOU ARE PREPARED TO WORK HARD AND ACCEPT THE SLOG**
**YOU APPRECIATE THAT NOTHING WORTHWHILE HAPPENS OVERNIGHT, EXCEPT TROUBLE**
**DEEP DOWN, YOU WANT TO BE A MILLIONAIRE, BUT YOU DON'T WANT TO TALK ABOUT IT**

A few thoughts, comments and suggestions from someone who has worked with successful men and women over the last 40 years who, in the main, all had the above character traits:

(1) Develop a plan, discuss the plan with key people, put the plan down on paper, change the plan as your thoughts and feelings start to firm.

(2) Become a good listener - don't be afraid to ask what may appear to be a simple, even obvious question - be inquisitive.

(3) What are your real strengths and weaknesses - don't waste time on fooling yourself - think real truth. In both sport and business, what you tend to enjoy, you will tend to become good at.

(4) It doesn't matter whether you go to university or follow a trade - the key is to ensure you can see an end game and are happy with the pathway.

(5) Follow through on your apprenticeship/training - of New Zealand business that fail around 75% is due to lack of capital and lack of training - there is no halfway house as regards your apprenticeship - it is either top class or has not worked well enough.

(6) Live at home with mum and dad as long as possible while learning and training and getting prepared to cope with life.

(7) There is nothing wrong with, say, a $40,000 Student Loan - with good management, good family relationships and good marks, mum and dad, with a little luck, may pay off 50% of it.

(8) A continuation of sport is fine and healthy and fun, but it is secondary in your plan.

(9) No motorbikes to be purchased.

(10) Computer literate is crucial.

(11) Understanding the power of compound interest is equally crucial.

(12) Understanding what are real assets - that is, assets that tend to be inflation-proof - houses, sections, land, equity shares, antique assets, original paintings, commercial property.

(13) Don't be afraid to tackle the Bank of Mum and Dad to assist with a house deposit - owning a house reasonably early on is part of your plan regarding stability, home base, place to think, debt to repay, share rooms to rent out and something firm under your feet. On the other hand be understanding in that Mum and Dad may still have their own mortgage, may still be helping their own parents and may have children other than you – you must learn to see other peoples point of view.

(14) Cars are a depreciating pain, but something will be essential - no hire purchase, though.

(15) If you can't afford something - you can't afford it - consumption may be good for the economy, but that argument does not apply to individuals in that economy.

(16) Don't be in a hurry to get married - you must get this first jump right - jumping out later is a painful method - your plan will end up being blown to bits for years and years with a mistake in this area.

(17) With every short term/part time job/employment, you need to end up with a good written reference - your work history needs to be top class.

(18) If you must, then get the overseas travel out of your system early on and somewhat briefly - sometimes a video of Russia and Syria and Lebanon is enough.

(19) Repaying something to mum and dad before they retire regarding Student Loans/house deposits etc is fair and reasonable - when you are 45 - 50 years old and your plan is working well, you won't notice this, but mum and dad will.

(20) Think about working through until 70 years of age if possible - you won't receive National Superannuation probably until you are 70 years old anyway.

(21) You probably don't need six children, regardless of the family support entitlements you would be due for.

(22) Make sure you and your long term spouse/partner are on the same page almost through the whole book - around one in four New Zealand marriages blow to bits - you must get this area right.

(23) You will need some pure term life assurance cover almost for certain - get this in place fairly early on - pitch it reasonably high with level term payments - how much will probably depend upon the type of business you are in and your debts.

(24) You won't make progress in today's world without borrowing - accept this early on, but make sure you are getting top advice on the product, the security, and the overall annual cash effect.

(25) You need to have a handle on what periods of your life you need income and what periods you need capital - for example:

| | | | |
|---|---|---|---|
| (a) | From cradle to 18 years with mum and dad<br>No income<br>All fun and easy going<br>Doing as you are told<br>No Money | Dependent upon mum and dad | 18 years |
| (b) | From 18 years to 25 years<br>Apprenticeship period<br>No money<br>Student Loan<br>Must pass tests/exams<br>Complete apprenticeship<br>Living at home for part | Again, dependant | 7 years |
| (c) | From 25 years to 70 years<br>Finally making financial progress<br>Find partner - two children<br>Investing hard | Not dependent due to work | 45 years |
| (d) | 70 years to 93 years<br>Living on National Superannuation and sound investments<br>Need 65% - 70% of pre-retirement income | Not dependent due to investment | 23 years |

| | | |
|---|---|---|
| Of this total: | 25 years dependant (27%) | 93 years |
| | 68 years not dependant (73%) | ======= |

(26) You can't discuss it easily, but today the average overall pass on inheritance from a family that owns a house in New Zealand is close to $400,000 - say, $200,000 per child. All going well, this may be you, but probably not until you are 60 years of age - don't rely on it.

(27) With your family health/medical insurance, it is worth considering having a quite high excess - that is, you accept that while your overall policy cover is comprehensive, that you accept paying the first, say, $2,000, maybe even $4,000 of any claim.

(28) How much of an emergency financial fund do you need - this will differ with every family, but we would feel probably a minimum of two months - preferably three months - of your normal financial outgoings.

(29) The financial industry would suggest that a normal New Zealand family needs to save around 12% as a minimum of their gross income, with 15% being more and more referred to.

(30) So, at 28 years of age, your plan is working well, you are on a sound income - you have a house with a significant mortgage - you are married with a combined gross income of $122,000. You are both good savers and feel getting your house debt down somewhat is the first priority, but saving for retirement is a close second. Your annual budget is as follows:

| | |
|---|---:|
| Income Tax | $22,640 |
| Personal expenses ($4,000 per month) | $48,000 |
| Mortgage interest payments | $12,000 |
| Mortgage principal repayments | $8,000 |
| House insurance and rates | $5,200 |
| Allowance for unforeseen | $4,000 |
| Available for investment/saving | $22,160 |
| Gross income (Before Tax) | $122,000 |
| | ======== |

The $22,160 represents 18% of their gross income. They have savings of $25,000, but feel that $5,000 needs to be held as an emergency fund.

Consequently, what does their potential long term investment plan look like:

(a) Starting deposit of $20,000.
(b) Term - 45 years.
(c) Allowing for Income Tax at 20%.
(d) Annual further addition to investment fund of $15,000 per year at each year's end.
(e) Estimated investment fund return at 4%.
(f) No allowance for inflation.

What might this couple have at the point of their retirement:

(1) House - debt free.
(2) Investment fund of $1,543,000.
(3) The $15,000 per year increase into their investment fund is less than they could manage, but with children, their disposable income will reduce for maybe ten years.
(4) There is perhaps more upside than downside with the investment return rate of 4%.
(5) If they decided to stop work at the age of 65 years rather than 70 years, the investment fund would be $1,250,000.
(6) This investment plan looks realistic, not too complicated and relatively comfortable as regards following through on.

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