

How to grow your financial garden

‘Someone is sitting in the shade today because someone planted a tree a long time ago.’ – Warren Buffett



In essence, spring is the time of year where we witness the beauty and bounty of things that quietly unfolded in the months prior. The bulbs that were planted in the years before, the ram that was put out by the farmer months ago, the new foliage after the harsh, dormant winter. If we think about our retirement, as our spring season in life, it is worrying that 70% of Kiwis feel like they will need to work past 65 years old to survive according to a survey by the Retirement Commission. So, what are the things you need to be thinking about now as the right market growing conditions for your “financial garden”?

DIVERSIFICATION: Wouldn't dinner be boring if you only planted carrots in your vegetable patch? From a long-term investment point of view, it is making sure you have a mix of options – as different asset classes and managers react differently to varying conditions. Making sure when you need to “harvest” in the future, you have a range of crops to select from that are prime for picking at the right time.

ADVICE: You wouldn't ask for gardening tips from someone who's never touched soil and buys plastic plants! Make sure you take advice from the right places, from people who are qualified and regulated to give you appropriate recommendations. No matter where you are based in New Zealand, head to financialadvice.co.nz to find a qualified adviser to help.

RISK PROFILE: This shouldn't be “set and forget”, just like a garden, you have different seasons in life and need to regularly review your investment strategy suits your objectives. Are you at a stage where you need slow-growing, hardy plants (Conservative Focus) or a mix of reliable plants with a few seasonal flowers (Balanced Focus) or are you up for some exotic flowers and fast-growing vegetables for a lush, high yielding garden (Growth Focus)?

CONTRIBUTIONS: Just like weeding, a little and often is best practice rather than doing it all at once, or not at all! Automating investing/savings as soon as you receive income is what you should be

aiming for, that is why KiwiSaver is so effective as a retirement savings vehicle, because it happens without you lifting a finger, consistently.

BEHAVIOUR: Often when an investor reacts emotionally to a market movement, poorly timed decisions result in negative performance. If two people had the same lemon tree to grow, suddenly a drought hits, one person watered their lemon tree and the other person simply gave up and pulled it out of the ground as the leaves turned, before seeing if it would bounce back with watering and care! It's about sticking to the original, well considered plan, plant, water and harvest. Always!

DISTRIBUTION: When it's time to harvest (retire), keep in mind, you don't have to harvest it all at once! It's about knowing ,

how much you want to consume (enjoy) on your well-deserved 20 plus year holiday and having someone manage the crop so that it can keep producing, season after season. Your crop might be a cracker and laden. If you make a decision to distribute early with your loved ones (a wonderful position to be in), just like a bunch of flowers, remember your financial gift should always be accompanied by watering instructions, a document safeguarding you if you need to call it back to "replant" for any reason.

There is a common rule of thumb that a retiree needs to replace around 80% of their working income to maintain their lifestyle. For most kiwis, the pension isn't enough on its own – my question to you is: Are you taking care of your "financial garden" when you are fit and able?

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