

# Mackay

## ON MONEY

### (AND OTHER THINGS)

BY AUTHORISED FINANCIAL ADVISER CHRIS MACKAY



**B**y the time Christmas 2017 rolls around, the Sixth Labour Government will have been in power for about half of those first goal filled 100 days.

A bit like the situation when Hilary won 2,864,974 more popular votes (65,844,610) than the Don (62,979,636), Bill English – top bloke that he is – and National polled 1,152,075 versus the charismatic Jacinda Ardern and Labour at 956,184. That's 20 per cent more! And National scored 56 seats versus 46. That's 21 per cent more.

Whether you like it or not, it just doesn't feel quite right. But National no mates couldn't find five buddies to cuddle up with

to engineer a majority and get the biz done. But hey folks, that's MMP.

It's preferable to Cambodia though. In mid-November 2017, according to the *Dom Post*, "Cambodia's Supreme Court dissolved the country's main opposition party, denying millions of Cambodians the opportunity to vote for their elected representative in elections in 2018.

More than half the leaders of the National Rescue Party, which PM Hun Sen's government asked the court to dissolve, are already in jail or have fled the country. The court also ordered a five year ban on political activity for 118 members of the party, which had emerged as a threat to Hun Sen's three decade-rule."

It's also better than Zimbabwe!

Robert Mugabe was PM of Zimbabwe from 1980 to 1987 and President for the next 30 years until his recent forced resignation.

NZ MPs enjoy a pretty generous superannuation plan with an annual government contribution to their KiwiSaver of a flat \$32,792. This is fair enough I believe. We want to attract top quality candidates for the Parliament and their "three year contract" is certainly tenuous. As an aside, if Labour were smart, they would reverse National's stupid decision to tax employers' contributions to KiwiSaver a few years back. But back to Mr Mugabe. It would seem Zimbabwe pays a special Presidential contribution to Mugabe's ZimSaver schemes. According to many articles he has accumulated assets of at least US \$10 million on a salary that in 2013 was only US \$18,000 pa. But rumours are he and his missus Gucci Grace have in reality stashed away more like US one billion dollars. Not bad for a former Marxist eh?

So we're pretty darn lucky down under and we should be counting our democratic blessings.

Bucking the small swing against the Nats, our very own Chris Bishop picked up Hutt South which had been a Labour seat for ever. The ubiquitous "Bish" has been rewarded for doing a fabulous job for the Hutt while he was a list MP. A terrific young man, Chris also championed the Compensation for Live Organ Donors Bill and got it passed into legislation during the last Parliament. Organ donors now will receive full compensation for earnings lost while they recuperate, for up to 12 weeks. Chris is destined to be a

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Level 5, MacKay House,  
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E: [office@mackay.co.nz](mailto:office@mackay.co.nz)

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great Kiwi leader and statesman, mark my words.

As the new Speaker of the House, Trevor Mallard (Sir Trev before long) pointed out to me when I congratulated him after the election, the Hutt now has six MPs representing us: Chris Bishop, Trevor Mallard, Ginny Andersen, Chris Hipkins and the two Maori MPs Meka Whaitiri, and Rino Tirikatene. So this is good for us.

Labour didn't win. National lost. Why?

Well, here's my take on it.

I reckon their Ministers got arrogant, complacent and stopped listening to what some of their voters wanted around some peripheral issues despite an excellent economy which the Nats thought should have been sufficient to ensure victory.

As that Don McLean song "Vincent" goes... "They would not listen, they're not listening still, perhaps they never will."

And apart from "time for a change" these are a few of the issues that encouraged voters to reject Bill and go with Winston and Jacinda.

Housing affordability and supply – the top brass of the Nats denied there was a problem. Successive Ministers would appear to have been unable to crank up a pathetically slow Housing NZ (HNZ) and put a rocket under them. The Cambridge Terrace project is a good example. I read recently HNZ was just now having discussions with neighbours in Durham Crescent. This land has been empty for years. Why weren't HNZ talking to them in 2015?

Amy Adams seemed to have been more effective than her predecessors, but her relatively late appointment as Minister for Social Housing and Minister Responsible for Housing was too late to make a difference.

An earlier MacKay on Money article had discussed the migration effect on housing demand in Auckland especially with 70,000 net migration. Assume three members per household and 80 per cent moving to Auckland. That's over 18,000 additional houses required by my reckoning. Or 14,000 if there's four in a household. Mayor of Auckland Phil Goff in February 2017 calculated the city needed 13,000 new houses each year but was currently only consenting 10,000 and building only 7,000. You don't have to be a rocket scientist to realise there's a problem. Wellington and the Hutt Valley have picked up thousands of the new and returning Kiwis too.

I would have thought a smart flexible immigration policy would be to turn the tap on and let more migrants in when we were leaking some of our brainy bunch to Oz.

And conversely to turn it down or off when Kiwis were moving home. Make the points system easier or tougher on non-Kiwis as the numbers dictate. If we need builders, give them more points.

Limiting migration is no xenophobic knee jerk reaction. It's logical when the country's housing stock and infrastructure can't handle it.

Likewise, National didn't listen when there was concern about foreign domiciled investors buying our houses. If you live here, fill your boots but if you're living in Los Angeles or Beijing, and trying to move your money somewhere safe, bugger off.

Vancouver by contrast is on to it by the application of a recent tax of 15 per cent on all home buyers who are not Canadian citizens or permanent residents. It's been effective. It's dampened demand.

We are told only three per cent of Kiwi house sales were to overseas based investors. No one actually knows because there wasn't any accurate data gathering in the past. Maybe now there will be with the Bright-Line Test and IRD numbers and bank accounts required in order to buy a house. Regardless, even three per cent is enough to move the numbers and create additional demand. There were anecdotes doing the rounds whereby a foreign buyer would fly in to Auckland or Wellington for the day, be shown five or 10 properties by a real estate agent. Which one do you like? I'll take them all! How much will you pay? Whatever it

takes. Do you want to rent them out? No - I'm just parking some spare dough in a safe haven. Where do I sign?

Kiwi residential property investors have also exacerbated the affordability issue especially for new home buyers by creating additional demand. Higher demand drives up prices.

Low interest rates (not the government's fault) have fuelled the demand along with the ability to claim losses created by negative gearing.

So what does negative gearing mean? Say you have an investment property which generates \$20,000 per year in rent. Deduct interest (not principal though), rates, insurance, maintenance, accounting fees, and property management fees all totalling \$25,000. You offset the loss of \$5,000 from your other income which gives you a tax refund of \$1,666.

And when you sell the property in a few years' time, after claiming yearly refunds of \$1,666, you pay no tax on any gain on the sale. Why? Because you tell the IRD you bought the rental to generate income not capital growth. Yeah right. So how is this good for the country? Not paying any tax and pushing up prices for first home buyers.

As an aside, I read some drivel recently, relating to some Wellington landlords bailing out and selling their rentals to non-investors. A spokesman said this would put pressure on the supply of rentals available. They

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obviously never did Economics at Uni. If the house being sold isn't bought by a foreign buyer leaving it empty, then a lucky first home buyer, currently renting is the likely candidate. And what does that mean? One less family renting a house. That house then is available to be rented. Result – there's no additional pressure! It's neutral.

It's not just house issues. It's our farms too. I recall talking to a very senior National Cabinet Minister before the election in 2014. There was a big station in the news being sold to a foreign company. I told him most people I knew didn't like our farms being taken over by big foreign corporates. He dismissed the argument by trivialising the percentage of land foreigners owned.

Well I know there's a whole lot of punters who would have previously voted National but instead voted for someone else because we were allowing our farms and houses to be sold to foreign owners.

These ministers should not have poohed these sentiments. They should have polled the public to see how strongly voters felt about the various contentious issues.

People aren't against foreign investment where there's going to be 50 new jobs created, like a new factory or manufacturing plant being built. But really, when a foreigner buys an existing house or a farm, is that going to create a number of new jobs? I don't think so.

Mental health is an issue Jonathan Coleman dropped the ball on.

For example, according to a NZ Herald Article (August 1, 2017)

"In March this year, the Ministry of Health axed a decade long \$800,000

contract for Lifeline to provide suicide prevention training to front line workers... The funding cut... devastated Lifeline, an organisation that has worked to prevent suicide in New Zealand for more than 50 years." The Ministry did appoint some new crowd but honestly? Bowling Lifeline? C'mon. We've got a mental health problem in NZ and Jonathan didn't do a good job of acknowledging this and coming up with some good solutions.

Judith Collins as Justice Minister fumbled the ball with the David Bain compensation claim and didn't handle Canadian Judge Ian Binnie's inquiry well at all. Amy Adams steadied the ship and sorted it out.

Child poverty is a biggie. It's all tied up with this housing debacle I believe. You can't have people living with their families in garages or cars. We taxpayers paying \$100,000 a day for motel accommodation for the homeless would indicate a problem don't you think?

We've got beggars hanging around Queens Drive now. When I ask them if they're getting any WINZ assistance a common issue seems to be "No, because there's a 13 week stand

down rule that WINZ applies." I don't quite understand it. But there's something wrong when we have beggars in our streets. Mind you, I'm told you can't get an appointment with a WINZ case worker without being computer literate and registering online! Why wouldn't a WINZ employee wander down from their nearby offices to assist these guys? This is not the society we were used to in NZ. Maybe Ginny Andersen our new list MP, with friends in high places, could make this her baby.

So it will be interesting to see what Labour will do.

Good on them for restricting existing house buying by non-residents.

They are being nice to the Aussies though. But are the Aussies being nice to us?

A good Kiwi friend who is married to an Australian and now lives back here still jointly with him owns a home in Melbourne, Victoria. She tells me on top of normal rates etc., she personally has to pay an additional \$5,000 in land tax because she's a Kiwi! He doesn't pay. She does. I've written to Grant Robertson and Stuart Nash advising them of this, so I hope they reciprocate and stick it up our absentee Aussie homeowners too.

At the time of writing, Jacinda is making her first big blue I reckon though. Wanting to bring in 150 refugees from Papua New Guinea's Manus Island is lunacy. The Aussies don't want it to happen. It sends a whole lot of wrong signals to potential boat people and to those scum bags, smuggling humans. It's just stupid. And of course, we have got so much spare accommodation capacity, haven't we? Instead of motels let's put them in hotels, with minibars and movies on demand. Perhaps Shane Jones could lend them a hand and show them the ropes.

And I hope we don't have Aunty Helen's Fifth Labour Government's nanny-state rearing its ugly head again with the Parental Leave (only for mothers) craziness when Jacinda initially rejected National's suggested amendment that by 2020, fathers should be able to share in the paid 26 weeks. Most blokes will agree with National.

So already, Aunty Jacinda and Uncle Kelvin know best. And that's a recipe for a one term government.

As for Bill and his team, Don McLean might opine:

"They would not listen, they did not know how, perhaps they'll listen now".

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