MONEY MATTERS

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Finding a KiwiSaver for employees

Since the outcome of an employee's retirement savings is ultimately impacted by decisions made today, some employers may feel the need to help their employees find the right fund to suit their financial situation.

Many employees respond to the challenge of running their KiwiSaver by simply choosing one at random. For those that opt to avoid making this decision, the Inland Revenue Department usually assigns a fund at random for them.

The number of New Zealanders who enrol in some kind of KiwiSaver fund is growing at a rapid pace. And with almost two hundred KiwiSaver funds currently on offer, it can often feel quite overwhelming choosing a fund that not only fits an individual's circumstances, but is also easy keep track of.

There are many kinds of KiwiSaver funds to choose from, with returns from funds ranging from under three per cent to over 20 per cent p.a. Some funds are even as much as ten times more expensive than others.

It is important that employees choose the right fund to avoid missing out on increasing their potential. For example, an employee may be on a $60K salary, contributing the minimum 3% to a KiwiSaver fund and have a matching contribution from their employer.

If they choose a KiwiSaver fund that earns five per cent p.a., they will have a balance of around $340,000 by the time they retire. Alternatively, if they were in a fund that earned eight per cent p.a., their balance at retirement would be around $675,000. This significant increase is a result of just a three per cent p.a. difference.

To avoid ending up in a 'default' fund, employees need to know what to look for, what is relevant to them as an individual and avoid being influenced by those who receive commissions from providers. Even though there is a range of different fund types to choose from, there is only a handful of concepts that can determine the best outcome for an employee.

The length of time before employees can or need to access their KiwiSaver balance determines how long their savings will be invested. Understanding this can help narrow down the type of funds to choose from.

For example, a 25-year-old employee may work for another 40 years before accessing their savings. The employee may be able to invest in a fund that has a larger allocation to growth assets. However, if they require funds for a first home withdrawal, their investment timeframe may be only a year, rather than 40. If this is the case, choosing a conservative fund may be the better option.

Employees should also base their decision on a fund's characteristics and how well it is managed. Funds can be 'actively' managed, 'passively' managed or 'passive' managed. Some may charge performance fees, exit fees or other special fees and costs.

While finding the right KiwiSaver fund for an employee may be a time-consuming process, it can be a worthwhile exercise since the long-term implications can be quite substantial.

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Make your credit card work for you

Not keeping track of your credit balance can be a hard but important lessons many Kiwis can learn from.

Thanks to interest and fees, many individuals may pay for more things than they care to admit. And with easily available credit cards on the rise, many Kiwis can also rack up more debt than what they feel comfortable with.

Generally, there are two types of credit debt traps individuals should avoid. The first is using more credit than what was intended in the first place. The second is carrying so much credit debt that it begins to impact on personal finances and is a burden on the budget. The more individual taxpayers avoid these credit debts, the more chance they have of growing and getting ahead of their finances.

Transferring debt from one credit card to another can be an excellent alternative to save hundreds of dollars due to lower interest rates. However, because this solution can come with some unpleasant surprises, it is important to understand how transfers work.

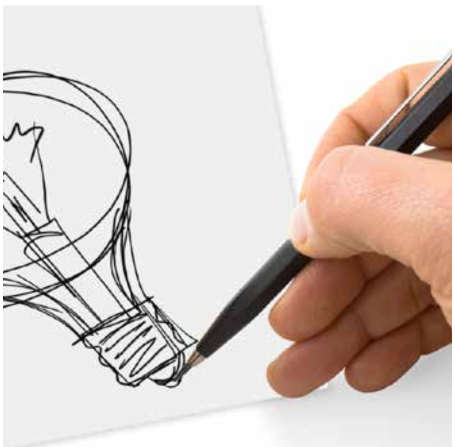
Upon transferring a credit card balance, the new bank pays the debt on the old card. This means that the individual now owes the new bank the money on a different rate. It is important to acknowledge how long that special rate will last, because if an individual carries the transferred balance beyond that, they will ultimately fall into paying a much higher rate all over again.

It can also become complicated when an individual makes purchases and cash advances on their new card after the transfer. Because they are not usually part of the low-rate deal, it is more than likely that the credit card owner will receive the standard, higher rate.

A memorable tagline can take you far

We often don't even think about them consciously, but taglines are an important part of a business's identity.

A good tagline should simultaneously tell customers what the essence of your business is, evoke a strong sense of emotion and be completely consistent with your business identity. A great tagline is also an incredibly cost-effective way for your business to overhaul its branding, paving the way for you to start a new series of marketing initiatives.



If you don't already have a tagline, or are not satisfied with your current one, it is worth taking the time to come up with one. If you can afford it, you may consider hiring a marketing or copywriting specialist for the job. However, if your budget doesn't stretch that far, take a shot at it yourself and ask employees, friends and family members for their input and feedback. Here are our top five tips for writing a winning tagline:

1. Memorable

Your tagline has to be both easy to remember and instantly identifiable with your company. There are a number of ways you can make a tagline memorable - the real challenge is in making sure that customers remember your company when they recall it. You also need to keep it short because the longer it is the harder it will be to remember.

2. Personality

You want your tagline to convey the 'personality' of your company. Think about whether customers consider you to be a funny, quirky, sympathetic, conservative or innovative brand and try to write a corresponding tagline.

3. Informative

Your tagline needs to tell people something about your company, and if possible boil it down to its most basic elements by mentioning either your industry or key products. If you are in a niche market this is usually a good place to start. For example, 'Flowers with a twist', or 'Biggest burgers in town'.

Identifying customer needs

If you understand the nature of your customers' needs, you will be able to market your products and services far more effectively.

Different types of customer needs require different marketing and advertising strategies. These are the three most basic types of customer needs and how best to target them:

1. Immediate needs

These are short-term needs that customers must respond to immediately, for example, lunchtime hunger or a plumbing problem. To target customers with immediate needs you should constantly advertise and emphasise fast service, convenience and price.

2. Actual long-term needs

These are real needs and wants that are not necessarily immediate, for example, a car service. To target customers with actual long term needs you should regularly be advertising, as a deliberating customer will likely turn to familiar or recognisable outlets. Make an effort to keep in touch with previous satisfied customers; this can ensure greater word-of-mouth recommendations.

3. Perceived needs

These are needs that a person believes they have, but in reality, are not a necessity. These tend to be luxury goods such as clothes or restaurants. You should aim to emphasise the superior quality of your product or service because the customer will be likely to undertake comparisons.

KiwiSaver early withdrawal criteria

Individuals who find themselves unable to access their KiwiSaver accounts for emergency help may be misinformed, uneducated or simply unaware of the strict criteria for early KiwiSaver withdrawals.

The recent trend in individuals turning to their KiwiSaver in an attempt to repair serious money problems has left many people surprised at how strict the rules and provisions are for accessing funds early. Individuals can apply to access their KiwiSaver funds early if they are buying their first home, emigrating or suffering from financial hardship or serious illness.

Individuals who have been a KiwiSaver member for three years are eligible to withdraw savings to put towards purchasing their first home. Provided a minimum balance of $1000 is left in their account, members can withdraw the current value of their contributions, their employer's contributions, returns on investment and any member tax credits. In some circumstances, members who have owned a home before may be eligible to withdraw savings to purchase a new home.

KiwiSaver members who have moved permanently overseas to a country other than Australia can withdraw funds after one year of living abroad. From 1 July 2013, KiwiSaver members were no longer able to withdraw funds early if they moved permanently to Australia. This is due to an agreement between the Australian and New Zealand governments that allows individuals with retirement savings in Australia and New Zealand to consolidate their funds into one account in the country of their current residence. Upon moving to Australia, KiwiSaver members can opt to leave their funds in a New Zealand KiwiSaver scheme or transfer the funds to an Australian complying superannuation scheme.

Members may be eligible to withdraw KiwiSaver savings early if they suffer from an illness, injury or disability that permanently affects their ability to work or poses a risk of death. Medical evidence must be provided to support applications.

Although people do manage to withdraw money from their KiwiSaver funds due to genuine cases of serious financial hardship each year, there are still many misconceptions surrounding the provisions for financial hardship that prevent others from doing so.

The KiwiSaver Act outlines the exact circumstances of significant financial hardship, which include a member's inability to meet minimum living expenses or mortgage repayments on his or her principal family residence. It is also possible to withdraw money under the following circumstances:

- To pay for the cost of altering a residence to meet any needs that arise from a disability of a member or a member's dependant
- To pay for medical treatment for an illness or injury of a member or a member's dependant
- To pay for the cost of palliative care for a member or a member's dependant
- To pay for funeral costs for a member's dependant
- If the member suffers from a serious or long term illness

One of the biggest issues in determining whether a member is eligible to apply for serious financial hardship is that it can be subjective. Many people also focus on short-term needs, rather than keeping the fund as a long-term saving goal. For example, many KiwiSaver providers receive applications from individuals who cannot pay their Sky TV bills or need money to pay for a family holiday or private school fees.

There is also often a rush with withdrawal applications when annual KiwiSaver statements are sent out. This may be due to people seeing the amount of money they have saved, and wanting to use that money for other purposes.

Those who are seriously contemplating making a KiwiSaver hardship withdrawal should seek professional advice or consider visiting a budgeting advice service first. Members should also keep in mind that the KiwiSaver is a long-term scheme. Don't opt to take money out based on the mistaken belief that you will have savings upon retirement simply because they are in KiwiSaver.

Reducing your electricity costs

Energy costs can be an enormous drain on your resources, and it is more than likely that the cost of electricity will continue to rise.

Reducing your energy consumption will save you money on your electricity bill. It can also be an exciting opportunity for you to promote your green credentials as part of a marketing initiative.

An easy place to start is by progressively investing in energy efficient appliances. While the initial cost of this might seem steep, it can quickly pay for itself as your electricity bills are significantly reduced.

If you want to monitor changes to your energy consumption, you should benchmarkyour current electricity use. You should always consider your bills seasonally, using the corresponding quarterly bill from the previous year. This can also give you a clear indication of any cooling or heating devices that are energy inefficient.

If you want to invest in long-term energy reduction, you may want to consider renewable energy. For businesses considering a switch to solar power, there are a wide range of commercial solar rebates, grants, low interest loans and tax breaks that are worth investigating.

Keeping up with business strategies

To survive and thrive, entrepreneurs and small business owners need to keep up-to-date with current business trends.

Entrepreneurs and owners should always be aiming to learn new techniques to improve their business. Regardless of the type of industry you are in, being able to defend your market position and maintain your competitive edge is key to becoming a successful business. Here are some tips to help small businesses stay relevant and survive:

Help customers find you online

One of the most common ways that people now find businesses is using mobile phone or tablet applications. You should make sure that your business information is up-to-date in these apps, and on any websites that help people find your business. Use these sites as a platform from which to promote services, products, business hours, contact information and special offers.

Cloud computing

Cloud computing may represent a way to overcome any business functions that are inefficient and costly. This internet service is considered a cost effective and productive tool for small businesses. Cloud computing can be used to manage e-newsletters, payrolls and in-house email.

Business plan presentation techniques

If you are looking to find investors and make money, it is essential to consider how to present a business plan effectively. Investors are now likely to want to see a short electronic slide presentation before a written business plan. Carefully consider the information included in these slides and if necessary, learn new digital media skills in order to achieve the desired impact.

Social responsibility

Business owners and entrepreneurs may have goals beyond making money. The 'triple bottom line' refers to striving for a positive outcome for the planet, people and profits. It is important for businesses, whether large or small, to consider their social responsibilities and how their business practices impact the environment. Many businesses are now seeking ways to be more sustainable and to contribute to the community.

A guide to performance reviews

When carried out effectively, formalised performance reviews can be beneficial for both you and your employees.

It is an opportunity for you to demonstrate how much you appreciate your employees' contributions and undertake collaborative reflection on potential business improvements.

However, there are a lot of potential pitfalls that can undermine the effectiveness of performance reviews, sometimes even resulting in negative outcomes. If the review is unfocused it will fail to bring about any tangible results, which can lead to anxiety, confusion and occasionally job dissatisfaction. Additionally, unproductive performance reviews can be a waste of valuable resources. Here are some guidelines to help ensure that your performance reviews are as rewarding as possible:

A review is part of an ongoing process

Performance reviews cannot provide the same benefits as having continuous channels of communication between management levels. It is problematic when performance reviews become the designated time in which issues are addressed. If an employee has been underperforming then you should not wait until their scheduled review to address the problem. Your company will benefit from creating a culture in which there is an ongoing informal review process, with managers and subordinates communicating effectively about expectations, difficulties and outcomes.

Be specific

Every aspect of the performance review should be specific to the individual employee and their responsibilities. Your comments and questions should be targeted, drawing on and requesting examples to back up any claims. The performance indicators you use do not need to be uniform, and should be individualised to staff members.

Turn your findings into actions

The information you collect throughout performance reviews can guide you in many business decisions. For example, you may see the need to make changes to remuneration packages, redefine job descriptions, or pursue further staff training. Most importantly, the review process is a chance for you and your employees to take some time out from the day to day operations of your business and reflect on the bigger picture. The ultimate end goal should be to reach a consensus on future aspirations and cement milestones that are both challenging and achievable.

Important tax dates

September 7

Employer deductions (EDF/IR 345) form and payment, and employer monthly schedule (EMS/IR 348) due for employers who deduct $500,000 PAYE and ESCT or more per year.

28

GST return and payment due.

October 20

Quarterly FBT return and payment due

28

Provisional tax installments due for people and organisations who file GST on a six-monthly basis

Provisional tax installments due for people and organisations who use the ratio method.