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tmm
The New Zealand Mortgage Mag

How do our groups compare?

We look at aggregators' offerings under the new licensing regime

Contents

What are goups planning under the new regime?

Daniel Dunkley spoke to eight groups on what their members can expect – from PI cover to CRMs and everything in between.

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Advisers rocking it in tough times

Covid-19 is certainly causing disruption across the country and we are bombarded about how some businesses are significantly suffering.

However, mortgage advisers are rocking it. Feedback from the industry is that advisers have never been busier. Indeed some industry leaders suggest that more than 50% of home loan originations are coming through the adviser channel.

This would be a real milestone for advisers. It's times like this that show how much value advisers can add to their clients.

On the downside though it is clear that banks are making life incredibly difficult with some of the worst turnaround times in recent memory. Added to that we keep hearing how hard it is to get, what previously would have been bankable deals across the line.

No doubt this is good news for the non-bank sector. On this front we have heard a number of stories where non-banks are smashing old monthly records.

Adding to the good news story is that the housing market is much stronger than many expected it would be. Whether this is sustainable or not is the unknown. But many factors look supportive including historically low interest rates, many New Zealanders returning home and maybe in these times, people are being conservative and just want the security of a roof over their heads.

Conference update

Recent months have thrown plans for this year's *TMM* Better Business Conference up in the air. We felt comfortable New Zealand was cruising along nicely in Level One and the conference could go ahead.

However, the community outbreak in Auckland; plus our preferred venue being used as a managed isolation facility, has made us rethink.

At this stage we are postponing the conference until the first quarter of next year. Hopefully, we will have some more certainty about what we can do then.

We toyed with a virtual conference, but we know how much you all enjoy the social interaction with your peers.

Stay safe out there and keep up the good work.

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Where are the brokers' fees?

Michael Lang takes a look at the fees and costs of share brokers.

BY MICHAEL LANG

	PORTFOLIO MANAGEMENT, ADVISORY & CUSTODY	BROKERAGE	CASH MANAGEMENT	FOREIGN CURRENCY	UNDERLYING FEES ON MANAGED FUNDS
FORSYTH BARR LIMITED	Up to 1.5% p.a	Up to 1.5% per transaction	Up to 1.25%	Up to 1.0% per transaction	Up to 2.0% p.a. Disclosed at time of investment
CRAIGS INVESTMENT PARTNERS	Up to 1.25% p.a.	Up to 1.0% per transaction	Up to 1.25%	Variable fee charged	Disclosed at time of investment
JARDEN SECURITIES LIMITED	Typically up to 1% p.a.	Up to 1.5% per transaction	n/a	Not disclosed	Disclosed at time of investment
JB WERE (NZ) PTY LIMITED	Up to 1.5% p.a (equities) Up to 0.3% p.a. (fixed interest) Up to 0.45% p.a. (managed funds)	Up to 2.0% per transaction	Up to 0.90%	Up to 0.22% per transaction	Disclosed at time of investment
HOBSON WEALTH PARTNERS	Up to 1.25% p.a.	Up to 1.5% per transaction	n/a	Up to 1% per transaction	Up to 2.0% p.a. Disclosed at time of investment

Source: NZ Funds. Individual broker secondary disclosure statements. Prepared using data as of 16 June 2020. Charges may be subject to minimum amounts.

In New Zealand, on the front page of the Financial Markets Authority's (FMA) website, you will find an orange box titled "How much of your KiwiSaver return is made up of fees?". It sits just under the tagline "Promoting fair, efficient and transparent financial markets". What you will not find is anything on how much a share broker charges to manage your retirement savings.

Fees, or how much a client is charged to have their money managed, is an important ingredient to consider if New Zealanders are to make informed investment decisions. Fortunately, fees are also one of the few variables in finance which are relatively certain (performance fees are of course an exception).

For many years New Zealand was the 'wild west' of fee calculations and disclosure. Even if investment organisations had wanted to disclose what they were charging their clients, there was no single set of rules which others were obligated to follow. This made comparing managers' fees and costs an exasperating and ultimately futile exercise. And without 'transparent' there can be little chance of 'efficient'.

Fortunately, in 2013 one of the first things the new regulator did was establish a single set of rules for disclosing fees and costs. The measure labelled 'Total Annual Fund Charges' covers managers' base fees, performance fees, portfolio expenses, underlying manager costs and many more factors besides. It does not take entry and exit fees, brokerage or currency translation 'mark-ups' into account. But as all managers must now follow the same set of rules, it does for the first time in New Zealand's history allow for an 'apples to apples' comparison of the costs of having your money managed. Well, almost.

Missing from New Zealand's regulatory regime is the multi-billion-dollar share broker industry. New Zealand's share brokers have long since evolved from promoting individual shares to managing sophisticated, highly diversified investment accounts which contain local and international shares, bonds, ETFs and managed funds. Many also include alternative assets like private equity and hedge funds. In short, exactly the same investments a fund manager provides, but without the obligation to calculate fees and expenses using the same set of rules everyone else in the market follows.

Sooner or later every financial adviser, whether they work for a broker or fund manager, will be asked by a client to review either their managed fund or broker-built investment portfolio. Without forensic analysis the adviser will find comparing the costs of two – almost identical investment portfolios impossible. How then can the adviser provide their client with an informed investment recommendation? They just can't.

To illustrate the problem, NZ Funds analysed the secondary disclosure statements of the five major share brokers. The results are shown below. Unlike managed funds, there is no consistency and the disclosures are difficult to understand, even for a market participant. There is also no example of the likely costs an investor may pay. In some client reports, NZ Funds found the estimated fees and costs to be higher than the fees and costs disclosed in the report.

One area that was not disclosed in some client reports was the costs associated with investing in ETFs. This was not surprising as there is currently no requirement to disclose the fees of the underlying managers of ETFs, listed funds, managed funds, and private equity.

The share broking industry advises on an estimated $50 billion of New Zealanders' savings. It is directly comparable to the managed funds industry, providing access to exactly the same underlying investments. At the age of 65, the billions accumulated in KiwiSaver will become eligible for withdrawal and re-investment into what may appear to be cheaper share broker accounts.

The regulator has already done the hard work of designing a single set of rules for fee and cost disclosure. Now, all that remains to be done to facilitate "fair, efficient and transparent financial markets", is to ensure it is applied equally to the share broking industry in New Zealand, as it already is in Australia. ✚

Michael Lang is Chief Executive of NZ Funds and his comments are of a general nature.

Non-banks get Covid boost

Non-bank lenders have reported a flood of new customers turned away by the banks in the wake of the Covid-19 pandemic, as traditional lenders stick to conservative credit limits.

At a Financial Advice NZ webinar, executives at non-bank lenders including Resimac, Bluestone, Avanti, Pepper and Liberty said they had seen an uptick in demand and business from advisers.

Luke Jackson, Resimac's head of New Zealand, said: "Throughout lockdown we were getting lots of comments from brokers about banks and non-banks, about them pulling pre-approvals. So the way we responded was to drop our rates and match the main banks and provide an avenue to transact."

Jackson said the lender dealt with hardship requests through the lockdown, but added: "Sixty-five per cent of those requests have come out of hardship now."

Asked whether she had seen the banks pull back in recent months, Sue Griffiths, head of sales at Bluestone, said retail lenders "had absolutely tightened up, creating opportunities for us as a non-bank lender".

Griffiths said there was an opportunity for advisers, but said brokers needed to properly position the non-bank process with their clients, and outline differences with the bank channel.

Matt Nauer, group sales manager at Liberty, said there was a "sense of tightening around credit quality" at the banks.

"We had tightened up, but we've come back stronger and are seeing an increase in applications," Nauer added.

Squirrel's John Bolton, who chaired the webinar, said it was important for advisers to talk with clients about the differences between banks and non-banks, including rates and the application process, at the beginning of discussions. Applying to a bank, only to be turned away, led to "bloody difficult" conversations about higher rates, he added.

Bolton said there was a vast discrepancy between the major banks' lending appetite.

"I had a deal the other day where one of the major banks gave me $540,000, and the other gave me $875,000. For the same deal."

Servicing tests hinder home loan market

Stringent servicing tests continue to hinder the home loan market, leaving borrowers unable to tap into attractive headline interest rates.

Economist Tony Alexander noted "apparent bank reluctance to ease servicing criteria" in the New Zealand market.

However, Alexander believes there could be good news on the way for borrowers, with increased competition in the home loan market, and possible cuts in one and two year rates in spring.

The independent economist's survey of the property valuer market revealed volumes of enquiries for house valuations rose by 50% in July. The data backs up strong REINZ figures, which revealed a stronger-than-expected property market in June.

Yet servicing continues to hamper the borrowing market, despite record-low rates and banks pushing out more attractive headline rates. Advisers say there is a greater disparity between the real rate and the test rate, which is as high as 7% at some major lenders.

ANZ eases servicing test

ANZ eased its servicing test criteria for borrowers, reflecting the lower interest rate environment.

ANZ New Zealand has contacted advisers to say it will test new home loan borrowers at about 5.8%, instead of its old rate of roughly 6.65%.

The move reflected the lower rate environment as banks slashed interest rates in the wake of the Covid-19 pandemic.

While low rates have made home loans more affordable to borrowers, economists say tough servicing tests have hampered market activity. Market commentators including Tony Alexander have pointed to "apparent bank reluctance to ease servicing criteria".

Mortgage advisers have long called for banks to slash servicing test rates, calling them unrealistic and out of step with real interest rates under 3% across the banking sector.

One broker told *TMM Online* the new test rate could help borrowers to get about 10% more from ANZ, and welcomed the relaxed rules.

"It will make a big difference for clients, and for someone borrowing about $500,000, they would be able to get an extra $50,000. It's definitely more realistic." ✚

People

Mike Pero Mortgages Gala Awards Night

On Friday August 7, Mike Pero Mortgages marked 30 years of helping Kiwis in style with 200 people in attendance at a Gala Awards Night at the Auckland War Memorial Museum.

As well as toasting to their big winners of the night, the company and its network of Mike Pero Advisers also celebrated achieving $1 billion in loans – congratulations Mike Pero Mortgages!

Rookie of the Year, Mortgages & Insurance – Lauren Hunter
Mark Collins with Rookie of the Year for both Mortgages and Insurance categories, Lauren Hunter.

Brand Champion – Team Manawatu
Mark Collins with Team Manawatu who won Brand Champion for the Year - Paula Simpson, Sara Currie, Lisa Aull and Jody Moore.

Top Writer – Volume – Russell Harrop
Mark Collins with Russell Harrop who won Top Writer for Volume.

Far left
Top Writer – Value – Darren Lawson
Mark Collins with Darren Lawson who won Top Writer for Value.

Left
Franchise of the Year
Mark Collins with the team from Nelson who won Franchise of the Year – Devina Jackson, Scott Jackson and Laura Loghry.

Mike Pero Mortgages makes new appointments

Mike Pero Mortgages has made a series of new hires across the country.

Donelle Stewart joins James Kingscote's team in Wanaka as a mortgage adviser.

Formerly a solicitor, Stewart "values attention to detail and wants to help customers achieve their homeownership goals and protect themselves with the right insurance cover", MPM said.

Kyle Clark joins Wellington franchise owner Zebunisso Alimova's business. "With a passion for problem-solving and helping others, Kyle is committed to making the home buying process simple and easy for customers," MPM said.

Clark was a former professional poker player and specialty cheese-maker, the company said.

Vicki Ah Fook joins Lance Mulu's team in Auckland.

A former Air New Zealand flight attendant, Vicki is "incredibly passionate about helping customers and values the importance of having the right help to ensure a customer's journey is enjoyable and stress free".

New advisers join Loan Market

Adviser group Loan Market has drafted more than a dozen new advisers to build its growing presence across the country.

Craig Pope's Wellington business, ***Pope & Co Mortgages***, joins the Loan Market stable.

The highly-regarded Pope has won multiple awards in the sector and is a regular contributor to *TMM.*

Pope was the Kapiti Electra business award winner in 2014 and finalist in the 2017 Financial Advice NZ Mortgage Adviser of the Year.

Carolyn Rigarlsford also joins Loan Market alongside Pope in the capital.

Emele Palamo joins in Henderson, west of Auckland. Emele has more than 30 years of experience in the banking industry and is specialised in helping clients build portfolios.

"My knowledge of the banking industry will ensure to make the transition and process smooth and effortless," Palamo said.

Anna Johnston joins in Dunedin. Johnston also has a banking background and worked in the lending space for more than a decade. She has extensive knowledge of the construction process, having built her own house in 2019.

Susie Signal (above) in Takapuna, Auckland, with over 25 years of front-line financial sector experience. Signal can help high-profile experienced buyers and those looking for their first home.

Prateek Malhotra joins in Auckland and has more than seven years of experience as an adviser.

Mike Evans, who has worked in the lending space for over 30 years, joins in Christchurch. Evans is specialised in first property purchases as well as investment buys.

Emma Boyd joins in the Te Atatu Peninsula, Auckland, with a wealth of experience helping first home buyers, investors, and the self-employed find mortgages.

Aaron Cooke joins in Aviemore Drive, Auckland, keen to help first home buyers, property investors and business owners.

Meanwhile, ***Anna Webber*** joins in Fendalton, Christchurch. A highly-skilled adviser who is a Chartered Accountant and Authorised Financial Adviser, Webber will bolster the South Island operations.

Rodney King joins in Urunga Avenue, Christchurch, with "significant experience and networks within the financial services industry across all towns and cities in the South Island". King has investment property and commercial property experience.

Dallas Roberts joins the same office as King. Roberts has helped many New Zealanders into their first home, their next home, climb the investment property ladder, grow their business and purchase commercial property.

Laura Tan joins Loan Market in Botany, Auckland. Tan has years of experience in the broking sector, with refinancing, investment property, and lending reviews a key specialism.

Newpark makes admin hires

Newpark Home Loans has drafted additional admin hires in preparation for the new financial advice legislation.The group has hired ***Candice Stobbart*** to process adviser on-boarding. Stobbart is an experienced key accounts manager skilled in relationship building, management, client liaison, and is a "strong sales professional with a passion for people", Newpark said.

Meanwhile, the group has hired ***Hayden Jonas*** as a contracts manager. Jonas has "driven market-leading service delivery and efficiency through the implementation of clear strategies, innovative process design, the deployment of key technologies and strong leadership", Newpark said. ✚

What you need to tell clients

The new regime brings in fresh disclosure requirements for financial advisers.

BY SUSAN EDMUNDS

When the new financial advice regime takes effect in March 2021, it will bring with it new obligations for advisers to give information to their clients.

The disclosure regulations, which have been finalised this year, require advisers to give a range of information at various stages of the advice process, from information about the type of licence held by the financial advice provider through to the services offered, fees charged, and any conflicts of interest.

The Ministry of Business, Innovation and Employment (MBIE) said the rules were needed because New Zealanders relied on the expertise of individuals and businesses that could give financial advice because the products were often complicated and not readily understood.

"However, consumers often have inadequate information to help them find the advice they need or determine how much trust to place in those giving advice. A total of 84% of respondents to a consumer survey said that people who want financial advice do not know how to find the right type of adviser for them.

"This lack of information can result in consumers making poor decisions, such as following financial advice that is not in their interests or does not meet their needs. Disclosure is used to overcome these information asymmetries by providing consumers with information about the firms and individuals who give financial advice. It contributes to the primary objective of the new regulatory regime, by allowing consumers to make confident and informed financial decisions."

The requirements under the 2010 regulations were ineffective because the different requirements for different sorts of advisers created confusion, MBIE said. The department added there was still a lack of transparency around the factors that could affect financial advice, as well as the limitations on the advice – such as the number of providers and products an adviser could deal with.

"Disclosure statements provided by financial advisers are often difficult to interpret as they can be long and use legalistic terminology and jargon. Further, the information is often provided too early, or too late, in the advice process, and is not specific to the client's circumstances, preventing consumers from making informed decisions."

The regulations have three parts: The information about a financial advice provider that needs to be on its website to ensure that consumers could choose a FAP that suits their needs; more information given when the nature and scope of advice is known; and a final tranche of disclosure when the advice is given.

Advisers are required to disclose any commissions or incentives they receive that a reasonable client might think materially influences their advice. A specific commission figure must be disclosed at the point of giving advice if it is known, even if the range was already disclosed earlier, and the final figure is within the range.

If the adviser was paid a salary but their FAP received commission that would need to be disclosed if a client might think it would be a factor.

"We're not saying commissions are always bad but they can create a conflict of interest – disclosing commissions that have the potential to materially influence advice and what advisers would do to manage that is important," MBIE senior policy adviser Rose Wang said.

If there were other fees that could apply as a result of following the advice, such as management fees for an investment, the fact of their existence should be disclosed so that the client did not think the adviser's fees were the extent of what would be paid.

MBIE manager of financial markets Sharon Corbett said the focus was on moving away from a tick-box exercise where clients were given information they might not understand or have time to process, to one in which information was given in a clear and useful way at the right time to help clients make good decisions. She said disclosure too early was often forgotten or disregarded and disclosure given too late could risk leaving the client feeling locked in with an adviser.

"We hope the new regime, with consistent conduct and client care standards, will help build on your efforts to improve access to financial advice."

If information is given at the same time as scope is determined, those two disclosure requirements could be combined into one. Disclosure would have to be revisited for clients only when there was a material change.

"It is a brave new world in terms of not having this prescriptive thing anymore – I encourage you all to get your heads around what this all means."

Disclosure can be given verbally but clients need to be told a written option is also available to them. The FMA is also imposing a record-keeping condition on licensees. Any disclosure must be clear, concise and effective, and use plain language to ensure that consumers can understand the information they have been provided.

Financial Advice NZ chief executive Katrina Shanks said the new rules had picked up many of the points made in the association's submission.

"The focus of the sector during this process was to ensure the right balance between good consumer outcomes and a financial advice sector which isn't encumbered by unreasonable red tape and adverse outcomes.

"We support regulations around disclosure made to clients – including on conflicts of interest, commissions and other incentives and disciplinary issues.

"However, we are pleased to see a change from the draft disclosure requirements that now only requires disclosure of these matters when they would likely materially influence a client's decision. This is something we strongly recommended in our submission to ensure disclosures were meaningful and not overwhelming for consumers.

"We were concerned the draft regulations required disclosure of product fees charged by unrelated third parties (eg insurance premiums) so the removal of the requirement to disclose fees for 'acting on the advice' was a sensible move."

Information that must be publicly available

- Licence status and conditions
- Nature and scope of financial advice service
- Fees, expenses, or other amounts payable
- Conflicts of interest and commissions or other incentives
- Complaints process – an explanation of how to make a complaint and an overview of the internal complaints process
- Duties information

Information that must be given when the scope of the advice is known

- The types of financial advice products the advice will be given about.
- If some or all of the advice will be given in relation to financial advice products from particular product providers only, a statement to that effect; and either the names of the product providers, or a description that adequately identifies, or allows for identification of, the particular product providers.
- A brief explanation of any material limitations or restrictions on the nature and scope of the advice that the client will be given.

- Reliability history (such as disciplinary action taken against the adviser or provider in the last five years or has been discharged from bankruptcy in the last four).
- Identifying information
- Fees, expenses, or other amounts payable
- Conflicts of interest and commissions or other incentives, including a description of the nature of each conflict of interest and how it will be managed, and an explanation of what incentives could be given in relation to the advice the client was seeking, including when or in which circumstances it would be given, who it would be given by and to whom, the amount or value.

For example:
"We receive commissions from the relevant insurance company if you take out insurance following our advice. The commissions are between 7% and 12% of the first year's premiums of your policy – the amount depends on which insurance company and which insurance policy you choose. However, we follow an advice process that ensures our recommendations are made on the basis of your goals and circumstances."

Information that must be provided when advice is given

- Fees, expenses, or other amounts payable, either the amount due or how it will be determined and the terms of payment. For example, Alice is engaged by ABC Limited to give advice to Claire about share investments.
- Alice previously informed Claire as required by regulation 229D that ABC Limited charges a fee for the financial advice (but was not able to provide details of the fee at that stage). That information is now known at the time the disclosure is made. Alice must now provide Claire with details of that fee.
- Conflicts of interest and commissions or other incentives – the amount or value and the details of who would be paid. We will receive a commission of 10% of the first year's premium from XYZ Limited if you take out this policy.
- Details of the complaints process
- Duties information ✚

peppermoney

Non-conforming loans made easy with technology

Pepper Money's national sales manager, Michelle Sargeant, talks about the innovative Pepper Product Selector (PPS) tool, which is making it easier and faster for advisers to find solutions for underserved borrowers.

For those advisers who haven't used PPS yet or don't know how, why should they and what should they know about it?

PPS, a market first for a Kiwi lender, is an online lending tool that allows advisers to swiftly give customers an indicative offer. Simply by answering a handful of questions about the customer's situation the tool returns a product match, indicative interest rate and associated fees, in less than five minutes.

PPS takes the guess-work out of finding the most appropriate Pepper product for advisers' customers, especially for for investment lending and complex structures.

PPS can be used for any customer situation. However, it can be particularly useful where their circumstances will not typically fit the bank's credit criteria and are searching for an alternative solution.

What sort of technological changes has Pepper made recently for the adviser channel?

Following feedback from a group of early adopter advisers, Pepper Money made some further enhancements to the tool, adding the ability to calculate the customer's borrowing power before returning an indicative offer tailored to the customer's circumstances.

We wanted to make sure that those clients never need to leave an adviser's office with a "no" when it should have been a "yes".

How are you seeing advisers use the PPS tool?

We've been really impressed with the uptake in New Zealand. We've now accredited nearly 450 advisers to use PPS and first time users of the tool are up 27%.

Advisers have really embraced the extra information they are receiving upfront to help their customers make a decision. Those advisers who are relatively new to writing non-conforming business are finding it easy to use, and it's helping dispel the misconception that writing a non-conforming loan is too hard. Those who have recently used it for the first time have told us they like how easy it is to access the tool, they love its simplicity, and how quick it is to use.

What about for those tricky deals, can the PPS tool still provide an indicative offer in those cases?

For the majority of scenarios, PPS will provide an indicative offer which includes the product, rate and applicable fees. For those extra tricky deals, PPS will refer the adviser to the Pepper Scenarios Team, who are trained to work with the adviser to determine the best and most appropriate outcome for the customer. If we can find a way to help we will.

After an adviser uses the tool and receives an indicative offer, what happens next?

All the adviser needs to do is submit a formal application as per the usual process – attaching a copy of the PPS indicative offer to the application.

If advisers want to start using this tool or they want to find out more, what steps should they take to do that?

We have lots of information available on our adviser portal alternatively an adviser can talk to a Pepper Money BDM to request a live demo via webinar. ✚

The Pepper product selector tool: What's in it for brokers

Convert more customers
Create incremental sales and revenue opportunities

Improve customer service
Provide a timely, readily available and customised product offer

Alternative to a decline
Pepper Money may provide a viable loan alternative in minutes

Ease of use
Mobile-responsive application with one-time log-in to Pepper Product Selector and the credit bureau

No cost
Free for accredited brokers to use and submit Pepper Product Selector applications to the bureau

It's fast
Receive an indicative decision within minutes

New regime: how do our groups shape up?

With so many groups to pick from, how do broker groups' plans for the new regime compare? We asked eight groups to detail their CRM systems, changing prices, audit process and professional indemnity insurance arrangements.

BY DANIEL DUNKLEY

Mortgage advisers remain in the transitional licensing window for the new financial advice regime due to Covid-19, but the long-awaited new legislation will come into force from March next year.

Transitional licences are valid for two years, but groups and advisers are working hard on their setup for the full licensing regime.

Groups have already outlined different strategies; larger groups such as NZFSG and Astute want advisers to work under their financial advice provider (FAP) licence. Others, such as Newpark Home Loans, encourage members to take their own FAP licence but will offer supplementary support.

With only seven months to go until the new regime begins, both small and large adviser groups have detailed their final plans to *TMM* for the first time.

How do aggregators compare, how much do they cost, and how have their plans changed? What makes them stand out in a crowded market?

In the first survey of its kind, *TMM* reveals how groups will tackle their new responsibilities under the new legislation. Here's how they shape up:

Astute Financial

We spoke to Sarah Johnston, chief executive of Astute Financial Management. Astute will charge members $149 for CRM software, $30 for learning software and a $100 compliance fee.

Johnston says the company's fee structure has not changed since the group launched in New Zealand in 2018/19.

"They are the same fees we offered when we launched, and we have no plans at this time to make any changes."

Astute has a pre-agreed commission split arrangement with members which will not change under the new laws.

Astute believes one of its main selling points is its CRM technology system.

Astute members will have access to Salestrekker, a compliance tool which allows businesses to manage staff, sub-advisers and CPD in a single system.

For its audit process, Astute will carry out a comprehensive standards review each year, which will be used to inform improvements and learning for members.

The group will go a step further in conducting reviews of file submissions.

"We will also randomly check file submissions to product providers providing the member with a detailed report," Johnston said.

As yet, Astute has not formalised how it will provide insurance coverage arrangements for its members, she added.

The Australian-headquartered group is offering technology-enabled training sessions to members.

"We provide regular webinars from business partners on current offerings, additional services members can use, dedicated quality assurance sessions, and various levels of CRM training from one-on-ones to features and benefits specific training," Johnston added.

The group will also hold regular face-to-face member days, where the local members can meet with the company and Astute business partners.

Astute will offer dedicated training sessions on a range of compliance matters; NZ Certificate in Financial Services Level 5, version 2; mentoring and more.

ASTUTE

The Adviser Platform

Ryan Edwards, managing director of The Adviser Platform (TAP), said the group was built "in preparation for the new regime", and has not changed its model in the face of the new legislation.

The group's advisers will use its in-house CRM, designed by its advisers and built in New Zealand by its team of in-house developers.

The group charges members $30 a week for its in-house CRM, $120 a week for admin services and $60 for mortgage aggregation.

It will charge $390 for every audit.

TAP has "committed to investing heavily" in compliance and audit, Edwards said.

"We've developed an 'end to end' advice tool, designed to deliver structured, robust advice to clients. This tool provides consistency for advisers and the ability to demonstrate appropriate conduct. Our specialised administration service provides exceptional record-keeping, which is at the heart of a successful business."

Edwards added the group would offer quality assurance programmes along with periodic audits and compliance guidance.

TAP has a group PI scheme with a $10 million limit, available from about $80 per month.

The Adviser Platform

Prosper

Ali Toumadj, director at Prosper, said aggregation costs have not changed for the group, but added Prosper would start to charge a $200 plus GST fee per month for compliance, from August 1.

The membership costs remain the same: $250 plus GST a month for single advisers; $500 plus GST for multiple adviser businesses; and $100 plus GST for onboarding, per individual adviser.

Prosper members will have access to Salestrekker CRM, described by Toumadj as a "leading mortgage platform".

Prosper will have enterprise-level access to the CRM, meaning it can audit client files. The system also has marketing and reporting functionality, as well as a borrowing calculation tool, and capacity for e-lodgement, which is currently only available through BNZ and Pepper Money.

In addition, Prosper plans to have an insurance data model this year for Salestrekker. Toumadj said the data model would encompass data collection and SOA creation.

Prosper advisers will have a $110 plus GST per month fee to use Salestrekker, and there's an additional support cost of $55 plus GST per month.

The group says its audit will work with advisers on four key areas.

Advisers under Prosper's FAP will be audited under Salestrekker.

Members with their own FAP "will be required to provide a quarterly compliance certificate to ensure they are meeting all regulatory and banking agreement requirements".

The group is reviewing its professional indemnity insurance arrangements, Toumadj said.

PROSPER group

Newpark Home Loans

Newpark Home Loans encourages members to take their own FAP licence, rather than come under the group umbrella.

Newpark has not changed its fee structure of $300 plus GST per business per month or 10% of upfront commission. But previously announced fee discounts will be removed as of October 1.

The group will offer advisers three CRM options.

Its Newpark "Toolbox" CRM, a basic option, is free; while its middle option, Adviser CRM, is designed for risk and insurance products. Get Trail is Newpark's premium option.

Newpark offers members PI insurance underwritten by QBE.

The group will provide lender training, licensing application assistance and an annual conference. Training is charged at the Strategi wholesale rate.

As part of the move to the new regulatory regime, Newpark will provide "online guidance modules and templates to prepare a transitional licence application".

Newpark will not have direct audit oversight of members as they will not come under its FAP licence.

Members will be made to supply "confirmation of compliance each year", according to general manager Andrew Scott.

Newpark Group
INSURANCE • HOME LOANS • INVESTMENTS

NZFSG

Malcolm Scott, head of audit and compliance at NZFSG, is confident of the group's regulatory setup under the FSLAA legislation.

According to Scott, the group will charge members a compliance fee of $300 plus GST per month per adviser, from April 2021 onwards. This is in addition to current fees charged, and applies "to those who will come under our transitional licence, or those who take their own licence but choose to use our tools".

NZFSG will use MyCRM, an advanced in-house CRM system, with new tools "currently under development", Scott said.

MyCRM will be integral to NZFSG's conduct audit. The group will use access to the system to check "that appropriate advice is given and records kept", said Scott.

The group will stick to its existing "comprehensive and cost-effective" professional indemnity insurance scheme under the new legislation.

Meanwhile, the group will introduce ISO 27001 certification as part of its efforts to bolster the data security credentials of MyCRM.

Bigger is better under the new regime, allowing groups to build scale ahead of the introduction of the new regulation.

Market sources told *TMM* that NZFSG would continue to look at merger opportunities to boost adviser numbers.

Mike Pero Mortgages

Mike Pero Mortgages (MPM) says it has "no intention of passing costs on to its advisers".

Mark Collins, chief executive of MPM, said: "The costs will increase; however, we are unsure by how much as we won't know the full impacts until we have implemented our processes to meet the requirements under the new legislation, and as determined by the regulators. Unless the costs are exorbitant, we don't see any benefit in penalising our advisers for an industry-led change."

The group will continue to use the Spark CRM under the new regime and says it is "still working on our processes" for its audit programme.

In terms of insurance arrangements, the group has "not made any firm decisions on what this means until we understand the impacts on our systems and processes required under the new legislation".

Collins said MPM would continue to review its processes: "We are keeping a flexible mindset, as there may be learnings for the industry and regulators over the next two years which may result in changes between now and when the full licence will be issued. Therefore we need to be in a strong position to adapt to any changes."

Mortgage Link

Mortgage Link will offer a branded and non-branded model under the new regime, giving advisers different fee options.

The branded model is a fixed fee plus commission model, but advisers new to the industry can opt for a no-fixed fee, larger commission-only model.

The non-branded model offers more flexibility, with five different pricing options.

Advisers setting up their own FAP can join the non-branded model for a fixed fee of $495 plus GST per month.

Advisers who choose to operate under Mortgage Link's FAP will be charged $295 plus GST per month, in addition to its standard aggregation fees.

The group has developed its own CRM, Advice Link, which has mortgage and insurance capabilities.

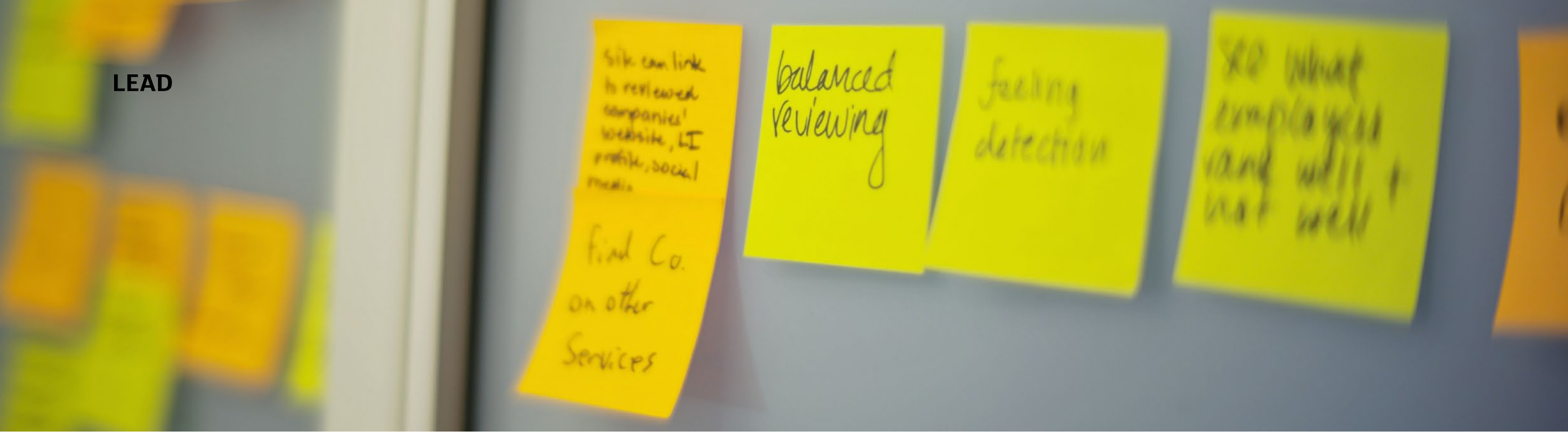
The cost of the CRM will "in future be absorbed into the revised aggregation fee structure", Josh Bronkhorst, managing director, said.

Mortgage Link will also endorse the use of third-party CRMs Trail and Xplan under its FAP licence.

Mortgage Link's conduct audit will be technology-enabled. The group is already conducting audits through Advice Link, with "further improvements underway" Bronkhorst said.

To bolster the audit process, the group has hired a team of administrators to assist advisers. External audit arrangements will apply to advisers choosing to use Trail or Xplan while operating under its FAP.

The group has an individualised insurance scheme for all of its advisers, with "very competitive wording and pricing" Bronkhorst said.



Q Group

Existing Q Group members will have the option of working underneath its FAP, or taking their own FAP licence.

But the group is "unlikely to accept new members into the group moving forward unless they have their own licence", director Geoff Bawden said.

Q Group has recently completed a review of cost increases, and is offering two options to advisers:

The first is a fixed fee of $750 per month inc GST, including the monthly costs of access to its platform, CPD, and compliance services, as well as vetting of advertising and websites.

The second option is its "dual-model", $495 including GST, plus 4% on the first $10,000 of commission generated each month. Under that arrangement, the most someone would pay is $895 per month.

Bawden said the second option would suit those with fluctuating levels of commission, particularly advisers who are new to the industry and building their business.

"It is envisaged that most advisers will be taking option one," Bawden said.

Q has its own end-to-end CRM platform, and advisers are expected to use that.

On conduct audit, Q has developed a process for advisers that can be monitored externally.

"We have recently recruited the services of an external auditor who will review remotely in line with group policy," Bawden said. "The group has its own CPD monitoring system, again moderated externally, and all advisers have submitted their CPD plans so we can keep on top of what they are doing to keep up to date with best practice."

Bawden said Q would provide support for members who want insurance arrangements, but said advisers were free to find their own. ✚

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COMMERCIAL AND RESIDENTIAL INVESTMENT / DEVELOPMENT

LENDING GUIDE

Welcome to the third of a series of lending guides from First Mortgage Trust (FMT).

These guides are designed to help advisers successfully submit loan applications for specialist lending.

This guide runs through the differences between bank and non-bank lenders as well as providing an overview of what FMT will usually lend on.

FIRST MORTGAGE TRUST
INVESTMENTS | PROPERTY FINANCE

KEY REASONS TO CONSIDER NON-BANK LENDERS

In an environment where credit restrictions have curbed property funding appetite from mainstream banks, Advisers now see it as a necessity to be able to offer non-bank options to their clients. There is a significant funding gap in the New Zealand economy for investment, construction and development finance in the property sector which cannot be sourced in the same manner it previously may have been.

First Mortgage Trust (FMT) has been an investment and finance option for clients for nearly 25 years, with close to $950 million in funds under management.

FMT is New Zealand's largest first mortgage non-bank lender. Read our response to a few commonly asked questions about FMT and our industry:

In what scenarios are non-bank lenders needed?

Banks are traditional lenders with a set, regimented lending policy, focused on security and cashflow, whereas non-bank lenders tend to look at a deal in isolation.

At FMT, we are not so obsessed with debt servicing (as we can capitalise interest if necessary). We are about the borrower, the transaction, the property and the location - and, importantly, what the client's exit strategy is. We check: Does it make sense? Is it achievable in that timeframe? Is the price point realistic?

FMT is primarily a short-term funder of 1-2 year duration. We exercise our judgement, based on our property experience of nearly 25 years, in tailoring solutions for our clients to help them achieve a specific property-related goal. Refreshing our loan book every two years allows us to keep our position current with the market.

Banks love cashflow, whereas at FMT it is usually about the end scenario and the client/ developer completing a project based on strong property fundamentals.

We are governed by our Trust Deed but have the ability to exercise judgement and can structure a tailored solution for individual funding requests.

Non-bank lenders all have their niche. FMT's funding lines provide borrowers with the ability to complete a short-term property transaction - the exit strategy being a sell down of the asset or possibly a refinance back to a mainstream lender.

Why should Advisers work with non-banks?

The current environment has shown a need for Advisers to adapt to the ever-changing lending environment. Advisers will come across more and more funding requests that do not fit current banking guidelines.

Non-bank lenders have different niche products specifically for their market. There are numerous other non-bank lenders in the market, primarily longer-term funders.

Having access to non-bank lending solutions means Advisers have the ability to widen the net and table a financial solution for their client that may not be available from a mainstream lender.

LOANS BY REGION

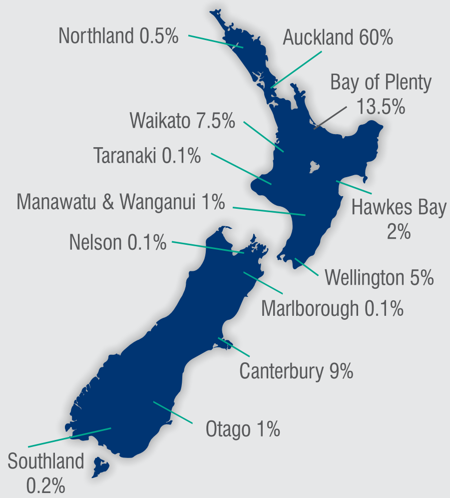
Our investors appreciate their investment is spread across 1200 differing security properties and nearly 700 loans. We continue to fund quality property for quality borrowers in quality locations that have solid fundamentals - growing population, employment and good infrastructure.

Annualised pre-tax return for the quarter ending 30 June 2020 were:

- 5.00% pa Group Investment Fund and PIE Fund
- 5.37% pa PIE Fund – effective rate for 33% taxpayers

With investment rates like these, FMT's liquidity position continues to be very strong, an important component for Advisers to be aware of when they are looking to place borrowers with a funder.

AS AT 5 JUNE 2020



Past returns do not guarantee future performance

Do you think there's a greater awareness of non-banks in NZ over the past few years?

There has definitely been a stronger move toward non-bank funding over the past few years - the KPMG Financial Institutions Performance Survey is testament to this.

As banks become more and more conservative with their lending principles, based on their capital adequacy requirements, the non-bank market will play a greater role for borrowers wishing to carry out property transactions that may not fit standard bank parameters.

FMT has been involved in raising the awareness and benefits of non-bank funding to the market. We closely align ourselves with the Adviser and Aggregator networks who are a key component of our business and we are actively involved in training to upskill Advisers on the non-bank space.

How does this work with mainstream lenders offering solutions?

There is a place for mainstream lenders and we continue to work closely with banks. Our proposition is purely loan financing against first registered mortgages; that is our expertise. We do not have transactional accounts or cross sell products; we leave that to the Advisers / banks; so there is no threat that we are going to take over a full banking relationship from them.

Banks understand how we operate and it is common for us to fund a particular transaction for a client, with the client's bank refinancing this once milestones are achieved (i.e. a client requiring a tenant for a vacant commercial / industrial property to meet interest cover guidelines, or maybe a resource consent is required to take a project to development stage).

What does FMT offer borrowers in terms of specialist loans?

FMT clients generally have good equity. So as long as we are comfortable with the transaction, we can structure the appropriate funding to meet their needs.

Our key points of difference:

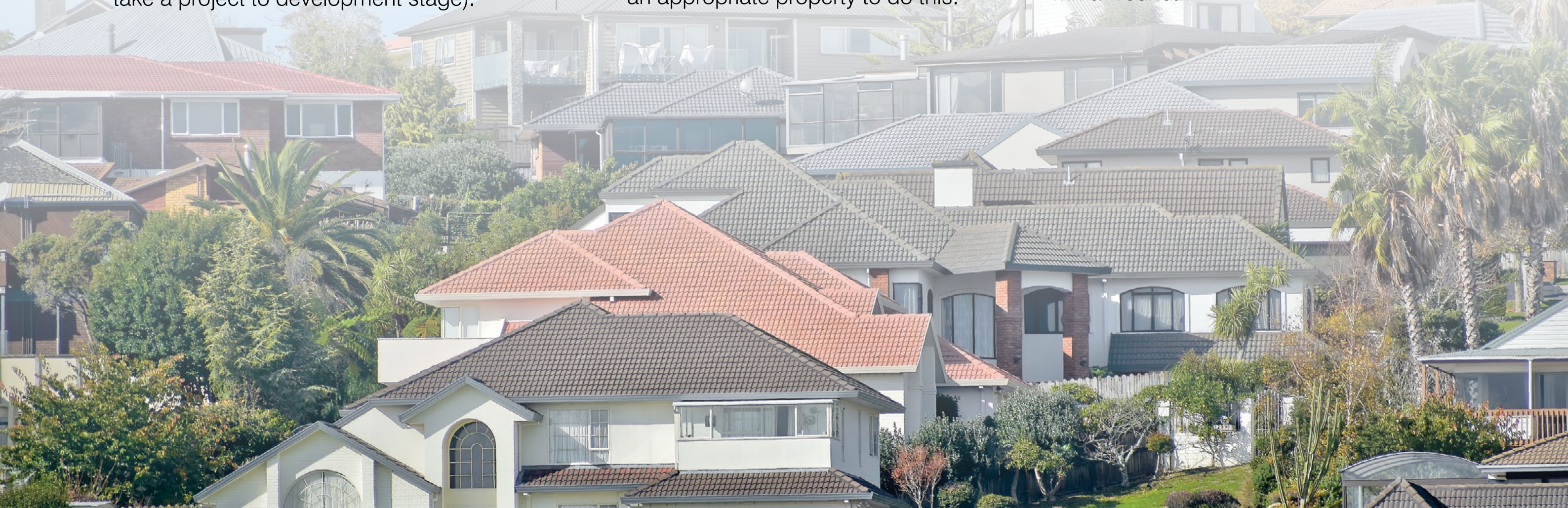
- We are purely interest only. This is different to a bank who will usually insist on principal and interest payments. For development and construction funding we will capitalise interest.
- We analyse each deal individually and we do not sensitise interest rates.
- For construction / developments, we prefer to keep loan conditions to a minimum. We would usually not insist on pre-sales, allowing the developer to maximise profits at the completion of a project. We will finance completed vacant industrial or commercial property and allow time to lease up, again assisting the developer to maximise the end price point.
- Equity release against a completed residential or commercial asset is a product we offer. This is also well received by clients. They can then look to extract funds for use on another project or development, to get it to a stage where it then becomes a viable funding proposition in its own right.
- Bridging – open or closed – is a product-offering, providing surety and allowing clients the option to purchase and secure a property before selling their own.
- Funding for businesses (actual purchase, increased stock, working capital etc) against budgets / cash flow forecasts is in our product suite, with business owners able to refinance back to mainstream once the Balance Sheet and Profit and Loss meets bank criteria. We obviously still require a first ranking mortgage over an appropriate property to do this.
- For our developers, when we know the exit strategy is a sale of the asset, no early repayment cost is payable.
- We can ring-fence a specific funding request. Borrowers like the fact we do not cross-collateralise all their securities.
- FMT is the largest first mortgage non-bank lender in NZ. We interact well with the other non-bank lenders and understand their product suite. If we cannot assist, we generally know where debt can be placed and are happy to refer Advisers in the right direction.
- A number of deals are quite bankable, but fall down in ticking each and every box for one reason or another. As a non-bank lender, we can look past that and mitigate it if appropriate.
- FMT does not charge clawbacks on its loans and the Adviser is paid on drawdown.
- FMT is big on building relationships and we have a dedicated team of experienced Business Development Managers who are there to partner with Advisers. We provide support and training if required, and will workshop your deals to ultimately provide solutions for your clients.

Do you think the need for specialist lending will continue to grow?

Absolutely. FMT is a property specialist. We believe we are a critical component in the NZ business economy, assisting all facets of the property market.

If banks are closing their cheque books to construction, development and entrepreneurs etc, we fill a definite gap in the market.

We act as an intermediary with funding solutions for clients to complete a transaction and sell down the asset, or turn it into a bankable transaction. If we all achieve the anticipated exit strategy, it is a win all round.



LIMITED TIME SPECIAL OFFER

$100m Available Right Now For Quality Borrowers*

Interest Rate: 6.69% | Fee: 1% | LVR 50% and below

- Loans from $250k to $20 million
- Term 6 months to 24 months
- Fixed or floating interest rate
- Interest only / capitalised
- Security - residential or commercial - completed property only - not available for development/construction or bare land
- Locations - main city centres

Our standard rates and fees apply for all other loan types - still likely to be some of the most competitive first mortgage non-bank lending rates available in the market.

Please contact one of our Business Development Managers if you would like to talk through a prospective deal.

No clawback on brokerage.

*Terms and conditions apply

Give us a call

0800 321 113

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FIRST MORTGAGE TRUST
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Contact us for a copy of the Product Disclosure Statements.

fmt.co.nz **0800 321 113**

How to build trust with SMEs

Adrienne Church shares how advisers can build trust with their SME clients and help them bounce back to business.

It's often said that: "Trust takes years to build, seconds to break, and forever to repair." The best advisers know that trust is the backbone of successful client relationships and essential for word of mouth referrals. The small business community in New Zealand has had a particularly tough time in 2020 and they need to know advisers have their back. So, what steps can you take to show that you do?

Stay proactive, stay connected

Cash flow is front of mind for most small business owners right now and many are planning what they need to get back to business. Consider how you can provide value in these conversations and serve as a sounding board for ideas. Don't wait for small business owners to come to you for help. Reach out and offer it.

Ask about their business goals for the next few months, as the impact of Covid has been different for everyone. For those in the hardest-hit sectors, this may be keeping the business moving, while others in health, essential or online services may be looking for opportunities to expand. At Prospa we've seen a wide range of funding scenarios, from one business preparing their premise for new sanitising rules to a landscaper that needed to purchase more stock and pay wages following a spike in demand at alert level one back in June. Also, remember that small business owners are time-poor and there is a lot of information and complex criteria out there. They're likely to be grateful if you can help them cut through the noise.

Show them you're on their team

Consider how you can partner with other trusted advisers to better understand your client's actual needs and provide more holistic support. A YouGov survey, commissioned by Prospa prior to the Covid-19 pandemic, found that when New Zealand small business owners were asked to rank the top three things they would do when looking into business funding options, the majority included speaking to their accountant. Accountants and book-keepers are often the first port of call for small business owners and have a close eye on cash flow and what's happening in the business. If you're collaborative, these insights can help you provide more in-depth, strategic business advice to small business clients.

All businesses, no matter how small, can benefit from this kind of collaborative team or "advisory board", working together to find the best solution. These are important partnerships for advisers to develop, as building trust with accountants helps build trust with your client. Be sure to understand and respect their relationship, establish processes, and keep everyone involved in the decisions.

Help them understand their options

During uncertain times, small businesses are likely to turn to more familiar forms of funding support, even if this isn't the best fit for their situation. As trusted advisers, you have an important role to play helping small business owners understand they have choice and educating them on the options. Even before Covid-19, small businesses have often been tempted to mix business and personal finance, which can have wide-ranging repercussions down the track. YouGov research also revealed nearly half (47%) of small business owners would consider dipping into their personal savings or using a personal credit card to fund their business. This was even more common among respondents who were operating as sole traders (54%). A further one in five small business owners said they would either consider borrowing from family and friends (22%) or a loan secured against their property (22%).

Blurring the line between business and personal finance can increase emotional stress and reduce cash flow visibility at a time when keeping a sharp eye on money coming in and out of the business is key. Every small business is different but for those requiring capital, you can help them understand that there are alternative funding options out there that are fit for purpose.

As advisers, it's vital you build and keep that trust with your small business clients during both the highs and the lows and these are just a few steps you can take today. ✚

Adrienne Church, General Manager Prospa, New Zealand's small business lending specialist.

30 years of Mike Pero Mortgages

CEO Mark Collins on Mike Pero Mortgages' anniversary, its people focus, solid foundations and future direction.

BY MARK COLLINS

"Our in-house marketing team supports all of our advisers with the collateral they need to build their business."

Building on firm foundations

Even though the founder of the Mike Pero Group brand is not actively involved in the business, the strong foundations of trust and integrity that he lay 30 years ago continue.

"The underlying integrity of any organisation is paramount," says Mike Pero.

"For me, it's never been about the money – it's about the satisfaction of making someone happy, providing a home and a better lifestyle."

In a case of necessity mothering invention, for Pero, it was in solving the problems in his own search for a home loan that led to the beginning of Mike Pero Mortgages.

"In 1990, I had just left an airline career as a pilot, returned to my hometown Christchurch and went through the process of buying another home," recalls Pero.

He describes the bank process he experienced as "cumbersome, illogical and frustrating".

Feeling there had to be a better way, Pero studied the requirements of each bank, learning how to determine the right loan for different types of customer. "I also figured if I improved the customer experience that would make me more popular and more accessible than banks."

Fast forward 30 years and that customer service, accessibility and popularity have not only ensured the Mike Pero Group's enduring success but also cemented it as the brand that kiwis trust.

Amid a global pandemic, Mike Pero Mortgages has not only quietly marked its 30th anniversary but has also surpassed $1 billion in loans written.

Reflecting on the key to the company's success, Mike Pero Group CEO Mark Collins says the brand has always had people at the centre of the business.

"At our heart, we're a people business," says Collins. "This is the number one criteria for success that I talk to new franchise owners about. If you're not in it for people, you're not in the right job."

With impending regulation change and the increasing complexities in lending, listening to the needs of customers and putting them first has never been more important.

"We're constantly tuning in to adviser feedback to produce the best possible outcomes for clients. I believe that keeping sight of this and the value we place on relationships has been core to our success and created an enduring positive culture."

A trusted brand

Mike Pero Mortgages, long known as "the brand that Kiwis trust", has achieved prompted brand recognition among customers of more than 80%.

It's the dedication of a growing network of more than 85 mortgage advisers nationwide that has made this brand strength possible. And, with the network growing by between two and five new advisers each month, it's the brand that brokers trust too.

With ongoing education and support throughout their career, advisers have the knowledge and expertise to help Kiwis navigate the myriad of choices available to them.

While proud of the growth and success of the network, Collins' view on adding new members to the team is considered. "I'm proud to say that we've got an exceptional network of advisers in our group. And, we're selective about the advisers we bring onboard. It's got to be the right fit for both parties.

"You don't need to have years of finance experience to join us, a keen interest and basic understanding is fine. What's more important is having genuine empathy and an understanding of people. Buying a home can be a very complex and emotive process and our advisers honour this."

Rotorua Franchisee Kirsty Clark was new-to-industry when she joined in 2017 and says the support she received was integral to her success. "It's been a steep learning curve for me. I certainly wouldn't have made it this far without the incredible knowledge, compassion and support from the Mike Pero Group and other MP advisers."

Building businesses

For new advisers joining the network, Mike Pero Mortgages provides training to fill any knowledge gaps and help with early leads to kick start their business. Comprehensive inductions, regular compliance modules, dedicated Network Sales Managers and lender information days help to get recruits up-to-speed. But, with that iconic Mike Pero red, it's the marketing support that has always been the key to success for this mortgage broker franchise company.

"Our in-house marketing team supports all of our advisers with the collateral they need to build their business. It's that attention-to-detail and tailored approach that has seen our company grow from strength-to-strength," said Collins.

It was a game-changer for Timaru Mike Pero Adviser Tammy Goddard, who said growing up in Christchurch, Mike Pero was a household name. "I'd been toying with the idea of becoming a mortgage adviser for a while, but I was unsure who to partner with. I asked ten friends which mortgage broking brand they thought had the strongest brand awareness and nine of them said Mike Pero."

Goddard said that while it was a slow start for her, it would have been slower without the support of a marketing team. "I was heavily reliant on the leads that marketing generates for us," she said.

"Being a part of the Mike Pero Group gives me the confidence that I'll be able to navigate any changes and continue to build a successful business for years to come."

New horizons

Three decades in, the future continues to present many opportunities for the Mike Pero Group especially with the ongoing integration of Mike Pero Real Estate, providing customers with end-to-end support from lending to listing and buying.

As Collins continues to bring the businesses together, he remains singular in his people-centric focus. In his view, when it comes to helping clients, the two businesses enjoy a natural cohesion.

"It creates an exciting synergy. The wealth of learning and relationships shared between the businesses is invaluable."

"Our company-wide desire to help Kiwis into homes is what has attracted people to the brand for the last 30 years. And, with our solid business foundations, we are working hard to ensure it will attract people for the next 30 years and beyond."

On the rebound – for now

New Zealand's housing market seems to be rebounding strongly from the Covid-19 crisis, but experts are warning against over-optimism on this front, reports Miriam Bell.

BY MIRIAM BELL

What is going on with the housing market? Going by earlier predictions, it should have been in dire straits by now, with stalled activity and prices crashing. But, to date, that hasn't happened. Instead, we have seen a market resurgence.

Agents and advisers alike say they are busy, with high demand driving activity. There's plenty of tales of multi-offer situations where the property has ended up selling above expectations. And the latest round of data appears to support these anecdotes.

Yet many experts are pushing back on these trends. They continue to urge caution and predict tough times are ahead. They say the market can't avoid the impact of the looming Covid recession. So this month, we're asking questions to try and make some sense of it all.

Is there really a market rebound?

Well, going by the latest data, it certainly looks like it. Take sales activity. In May, REINZ had sales volumes nationwide down by 46.6% year-on-year as alert level three restrictions continued to restrict sales.

But REINZ says that in June sales volumes were up by 7.1% to 6,625 from the same time last year. That was the highest number of properties sold in a June month for four years. Sales were also up by 60.1% on last month.

The data also shows June was the first time in three months where regions have started to see increases in their annual sales volumes, with 10 out of 16 regions recording yearly increases.

Additionally, in the powerhouse Auckland market, the number of properties sold in June increased by 9.4% year-on-year (to 2,054). Again, that was the highest in June in four years. Sales volumes were also up by 75.3% on May.

June data from Barfoot & Thompson further supported the trend. The data showed sales numbers had returned to normal trading levels. There were 820 sales in June, which was a 4.3% year-on-year increase and a rise of 107.1% on May.

A chronic shortage of new listings has been a problem for some time. But the latest data reveals that is starting to change. According to REINZ, there was a 19.7% increase in new listings in June, year-on-year.

Likewise, Realestate.co.nz has new property listings bouncing back right across the country in June. That increase in new listings occurred in nearly all regions, with Southland, Auckland, and the West Coast seeing the biggest rise compared to June 2019.

June's data also shows sales are defying price predictions and holding up well around much of the country.

REINZ has median house prices nationwide up by 9.2% to $639,000 year-on-year in June. They were also up by 3.1% from $620,000 in May 2020. Further, every region in the country saw an uplift in prices from the same time last year, and 10 out of 16 regions saw an uplift from May.

The June data from Realestate.co.nz and Barfoot & Thompson (for Auckland) told a similar story.

Realestate.co.nz had average asking prices remaining stable in June with the national average asking price sitting at $727,749. That was 10.4% higher than in June 2019. It also put the average asking prices in Auckland, Wellington and Christchurch up year-on-year.

Barfoot & Thompson's latest data put Auckland's average price at $953,417 in June, which was up by 1.4% on June last year, and its median price at $910,000, which was a year-on-year rise of 7.7%.

What do property insiders make of this data?

For property industry participants, the data is promising and suggests the market has remained buoyant post-Covid-19. However, most urge caution.

REINZ chief executive Bindi Norwell says the data suggests the impact of lockdown is now well and truly behind the country, and that people have been able to get on with their sales and purchasing decisions as per usual.

"However, we've said it before, and it's important to say it again, that this may well be a post-lockdown peak in activity levels. There are concerns that with the wage subsidies, mortgage holidays ending and an election in September, that there may be a potential trough in activity levels in the coming months."

But right now, Kiwis' love affair with property continues unabated – particularly with low interest rates available, she says.

In Barfoot & Thompson managing director Peter Thompson's view, June was a remarkably solid month's trading with no signs of market fragility. Solid new listings at 1,582 (up 56.3% from June 2019), an influx of first-time buyers, and some catch-up business from the slow sales in May all contributed to that, he says.

"It is far too early to see this result as an indicator that the property market will defy forecasts and ride out the Covid-19 pandemic unaffected. But it does

"It is far too early to see this result as an indicator that the property market will defy forecasts and ride out the Covid-19 pandemic unaffected."

_ Peter Thompson

"Any fall in value should be put into context. Most parts of New Zealand have experienced value growth in excess of 5-10% in just the past 12 months."
_ David Nagel

suggest that over a three to five-year time horizon, buyers have confidence in property at today's prevailing prices, and that they are not holding back in the hope of a major decline in values."

Are people being overly-optimistic?

Over-optimism is a possibility. For example, the latest QV House Price Index shows that all but two (Queenstown and Marlborough) of the 16 major cities monitored saw some growth in their average values over the past quarter.

But it also reveals a gradual decline in quarterly growth in June, with 13 cities showing reduced growth since May.

While the average national value increased by 1.3% over the past quarter, that's down from 2.4% in May (leaving the average national value at $738,018). That's an annual increase of 7.4%, as compared to the yearly growth of 7.7% recorded last month.

QV general manager David Nagel says this indicates the heat seen in the market pre-lockdown is gradually dissipating as the market begins to settle.

With wage subsidies and mortgage holidays ending later in the year, the worst is still ahead, he says.

"Our earlier projections that the market will experience a correction of 5-10% by Christmas time from the pre-Covid high of January to March 2020 is still looking likely.

"While some parts of the country will be harder hit than others, any fall in value should be put into context. Most parts of New Zealand have experienced value growth in excess of 5-10% in just the past 12 months, so for those that can weather the storm, this is simply a passing aberration."

And CoreLogic's senior property economist Kelvin Davidson warns of reading too much into the resilience of the market. He doesn't think that the outlook is all doom and gloom.

"But there's a sense that some have now become too optimistic – after all, we're in a recession and unemployment has further to rise yet. These factors will restrain the property market for the rest of 2020 at least."

CoreLogic's quarterly index of values has begun to show clearer signs of weakness. The national average house value has declined by 1.5% in the second quarter, with significant falls in Dunedin (-2.5%) and Auckland (-2.4%).

Davidson adds: "While values haven't yet turned down everywhere (Tauranga, Invercargill and Rotorua saw rises in values), the overall message is that values seem to have reached a turning point and we estimate that the national average could ultimately fall by 5-7%."

That drop would be smaller than the 10% fall experienced during the GFC, Davidson noted. Even a further 5% drop would only put values at levels seen in December 2018, he added.

What's likely for the market going forward?

Economists warn that while the latest data shows the market has rebounded strongly post-Covid-19 that resurgence is unlikely to last.

Kiwibank senior economist Jeremy Couchman says the anecdotes of recent weeks appear to be true, with both sales and house price growth jumping in June. But he is not yet convinced that the recent jump in housing market activity will be sustained.

The labour market continues to deteriorate, and the end of temporary wage subsidy is likely to expose some wounds, he says. "We expect house prices to start falling and are currently forecasting they will be 9% lower year-on-year towards the end of the year – although we do acknowledge that recent data illustrates clear upside risk to our forecast."

For ASB senior economist Mike Jones, the recent data joins the ever-growing list of economic indicators enjoying a post-lockdown sugar rush, with housing activity bouncing back to life in June.

Smoothing through the past few months shows national sales pretty much back to where they were in January before the Covid disruption hit, he says. "Housing bulls would have also taken heart in a surprise increase in house prices in June."

Jones says that, ostensibly, this runs against the grain of calls for steep house price falls. "But we're not out of the woods yet, and there's every chance the data has been inflated by the same release of pent-up demand running other economic statistics at present.

"As housing activity finds its new normal over the next few months, and the market adjusts to the deteriorating labour market, we expect small monthly falls in house prices to resume. We remain at the less-downbeat end of the forecasting spectrum though, calling 'just' a 6% peak to trough fall in prices."✚

What's driving house prices?

UP

REINZ HOUSE SALES

In June there was another strong monthly uplift in sales both nationwide (up 60.1%) and in Auckland (up 75.3%). But they were also up year-on-year nationwide (by 7.1%) and in Auckland (by 9.4%).

BUILDING CONSENTS

May saw consents nationwide rise by 36% from April, and they were also up by 7.1% year-on-year. But while there has been a strong post-lockdown rebound, economists don't believe it will last.

MORTGAGE APPROVALS

Reserve Bank data shows mortgage lending overall rose by roughly $1.6 billion in May as the property market started to show signs of recovery from the Covid-19 lockdown.

RENTS

Stats NZ's rental price index shows June's rents were up by 0.3% on May and by 0.2% year-on-year. Trade Me Property's most recent data has the national median rent up by 2% in May.

DOWN

INTEREST RATES

March's record OCR cut continues to be passed on by the banks. There's an ongoing mortgage rates war, with rates at unprecedented lows and the situation unlikely to change in the near future.

OCR

The Reserve Bank held the OCR at its Covid-19 prompted record low of 0.25% in June – and it appears to be open to the prospect of a negative OCR in the future.

IMMIGRATION

Stats NZ's data shows the number of people to arrive in New Zealand in May was the lowest for any month since May 1959. May was the second month under Covid-19 border restrictions.

Dismay at rental law overhaul

Covid-19 may still dominate public discourse and the 2020 election might be looming, but, on the property investor front, different news stories have held sway.

BY MIRIAM BELL

Shock and dismay. That's what landlords around New Zealand were left feeling after Parliament passed the Government's controversial tenancy law reforms into law, under urgency, on August 5.

While landlord advocates waged a long, hard campaign against the proposed reforms, holding out hope till the last that NZ First might vote against its coalition partners – that did not happen.

Despite expressing reservations about the reforms, NZ First voted to pass the Bill and it made it through its second and third readings unscathed, with 63 MPs in favour and 55 against.

That means it will now no longer be possible for landlords to issue 90-day "no cause" termination notices and fixed term tenancies will automatically roll over to periodic tenancies on expiry unless otherwise agreed.

Rent bidding has been outlawed, rent increases have been limited to once a year, and landlords are required to allow tenants to make minor alterations to a rental property such as baby-proofing, hanging pictures and earthquake proofing.

Provisions to improve compliance have also been introduced and the Tenancy Tribunal can now award compensation or order work to be done up to $100,000 (up from $50,000).

Associate Housing Minister Kris Faafoi says the reforms modernise New Zealand's outdated rental laws and align them with present-day realities for the around 600,000 households which rent.

"The Government considers that every New Zealander should have a safe, warm, dry home to call their own – including if they are renting.

"Renters should be able to put down roots in their community and not face the stress of continually having to find a new home."

Faafoi says the reforms get the balance right, correct problems in a proportionate way, place reasonable requirements on both landlords and tenants, and will endure changing market characteristics.

The bulk of the reforms will come into effect in six months to give tenants and landlords time to prepare for the new rules.

National Party leader Judith Collins has told media that her party will repeal the tenancy law if elected to be Government.

Unintended market consequences

The reforms constitute the most significant overhaul of tenancy law since 1986 and landlord advocates are not happy.

NZ Property Investors Federation president Andrew King says the passing of the reforms, which he describes as "outrageous", was a sad day for landlords and tenants.

He says getting rid of "no cause" termination notices will give security of tenure to the small number of anti-social tenants – about 3% each year – who receive them.

"It won't provide any more security of tenure to good tenants whose tenancies come to an end because a property is being sold, renovated or moved into by the landlord themselves."

Instead it will now just be harder for a landlord to remove an antisocial tenant from their rental property, which will also cause problems for neighbours and other tenants, he says.

"Likewise, the automatic rolling over of fixed term tenancies into periodic tenancies will give tenants greater rights over the tenancy of a property than the property owner and will have unintended consequences."

REINZ chief executive Bindi Norwell agrees. She warns that while the Bill might achieve some positive things for tenants, the reforms could cause more harm than good.

She points to a recent survey that indicates half of landlords (46.3%) were either likely or highly likely to sell their rental property if removal of the right to issue a 90-day notice went ahead.

"Given we already have a shortage of quality rental stock across the country, this is problematic as it will further reduce the pool of rental properties available and likely push up rents even further."

Also, tenants without an "excellent" rental history may now find it even harder to successfully secure a rental property, given how difficult it will now be to remove tenants who end up significantly in arrears, she adds.

"This is especially true, considering landlords will need to apply to the Tenancy Tribunal to terminate the tenancy, therefore extending the average timeframe to resolve claims and extending backlogs further."

New planning rules to boost supply

A widespread shortage of housing remains a problem – and restrictive planning regulations have long been cited as a major contributor to that problem.

In a bid to increase housing development in urban areas and boost supply, the Government recently released its National Policy Statement on Urban Development (NPS-UD).

Urban Development Minister Phil Twyford says the NPS-UD directs councils (particularly in the high growth centres of Auckland, Hamilton, Tauranga, Wellington and Christchurch) to free up their planning rules while focusing on well-functioning neighbourhoods and communities.

It sets stronger, more prescriptive density requirements for "tier one" urban areas which include the five cities listed above.

It also removes the requirement for developments to provide car parking for residents. This will allow space to be more appropriately allocated to other uses and drive down the cost of housing, particularly in higher density areas.

Twyford said poor quality and restrictive planning has stopped New Zealand's cities and communities from growing up and out. "It has driven up the price of land and housing and been a big driver behind the housing crisis.

"When overly restrictive planning creates an artificial scarcity of land on the outskirts of our cities, or floor space because of density limits in our city centres, house prices are driven up and people are denied housing options." He says the new approach to planning through the NPS-UD will allow better connections to transport and other amenities so New Zealand's cities can flourish and better support their residents.

However, Property Council chief executive Leonie Freeman says good quality planning takes time and New Zealand can't afford to continually move the goal posts for local authorities, planners and developers.

"Politicians will need to come together and focus on what is best for our communities and cities," she says.

"Such collaboration will allow the sector to move beyond the never-ending cycle of sole planning stages and into the implementation and delivery of developments that shape cities and enable communities to thrive."

The NPS-UD will come into effect on August 20, but councils will have some leeway to introduce the changes. ✚

Paying it forward

Helping both clients and fellow advisers to learn and achieve what is best for them is what motivates mySolutions director Keith Kerr to keep paying his financial knowledge forward.

BY MIRIAM BELL

How did you wind up getting into the mortgage advice business?

I started off as an engineer in the air force. But, at 23, I decided it wasn't the career for me. Soon after, I got talking to a guy my age and he was in life insurance sales. It sounded good to me. So I resigned and, starting off in insurance, hit the ground running. Thirty-one years later, I'm still as excited about our industry as ever.

I began at Government Life (Tower) in 1989, took an agency with Sovereign in 1991 and then, in 1996, I was one of the founding franchises of NZ Home Loans. A group of us sold up in 2003 and I've been in the mortgage and insurance advice business ever since.

And then how did you go about learning the business?

There was good in-house training in those days. But my personal approach came from my air force days. In the military, the expectation is that you will learn from being instructed by experienced people as that has worked for hundreds of years.

So, early on at Government Life, I approached some senior sales guys to learn from and they told me to "knock on 100 doors a day and aim for three sales". I did what I was told and worked hard. That left them happy to mentor me, but they said that I also had to pay it forward in my turn – which I am now proud to do.

What makes you passionate about being an adviser?

Initially, I was motivated by money. Because it was possible to make much more than as an engineer. When you are young you spend as much as you earn so it was attractive. But that soon changed. Now, I'm passionate about helping people and making sure Kiwis who need it have access to great financial advice and a quality service.

Do you approach business differently to other advisers? If so, how?

Different advisers approach business differently. It all depends on their background and their view. But I believe that providing advice shouldn't just be transactional and about securing the next deal.

I'm very process driven. I believe if you follow the processes and ask the right questions, you'll get to the bottom of what a client needs and what is best for them. I'm very transparent and go deep with clients to really build up trust. Earning that trust is something we should not take lightly and is a privilege!

Is there any particular area that you specialise in?

I take a very holistic approach. Home loans for first home buyers is something I enjoy as you can get them into good habits early around understanding debt and wealth creation. But I also offer advice in areas like insurance and KiwiSaver. My speciality is looking after my client's entire portfolio, surrounding them with other professionals, like lawyers and accountants if needed, and helping them get to a better place.

Do you make use of social media and / or new technology in your work?

Social media is not a big one for me at present – however, we are having a makeover as we speak. As a business, we are technology driven though. We're a paperless business, for example. That was one thing about lockdown: it helped many people get a lot better with technology, which is great for the industry. I do still like face-to-face stuff with clients though.

What has been the high point of your time in the business? And the low point?

The high point is doing the work that my business partners and I do at mySolutions together. Seeing the lights coming on with advisers I have mentored and watching their success. Nothing beats that.
My low point was back in the NZHL days when we took on a business partner we shouldn't have. I had a young family and ended up being down to my last $1k. But I was determined not to let it break me or take my future. Instead it drove me to get on the phone and create more business. So it became a learning point.

Do you have a mentor? If not, has anyone been a great inspiration to you?

I wouldn't be where I am without the help of a lot of people. Kevin Snee, is one. Also, Tony Vidler and Mike Barnes. And Matt Church really shaped our thinking eight years ago when a group of eight of us from mySolutions studied with him in Sydney over four months. That was transformational for the way we approach our sales process and psychology around education to our clients.

What is the best advice you've ever received?

"If someone tells you to invest in something, look them in the eye and say 'well how much are you prepared to invest in it?'." I have that as a sticker on my computer and I abide by it: I wouldn't advise a client to do stuff that I'm not prepared to do myself.

Is there a typical working day for you? What does it look like?

I work as an adviser (Financial Solutionz) for the first three days of the week and then I'm a director at mySolutions, which involves mentoring and coaching, for the last two days. That keeps me busy.
From Monday to Wednesday, it's early starts and I often work with clients in the evenings. Later in the week, it's about the learning but also, as a company director, there's currently a lot of compliance issues. On Fridays I do try to just do a half day if possible.

How do you think the Covid-19 crisis has impacted on the mortgage advice industry? & do you think the industry will have to change in response?

It showed the importance of good client communication. Lockdown allowed us to go deeper with clients and talk to them more. Now we are busier than ever. And good quality business is coming out of the disruption during lockdown.
These are exciting times. People are coming back earlier, and with more confidence, than we thought they would. But it proves advisers need to get better at client communications – and that includes using technology effectively.

What other challenges – both for yourself and for the industry – do you see ahead?

The big one is all the compliance changes. They are a kick in the pants for our industry and they mean we need to keep upskilling ourselves. There's a lot of fear. But we need to embrace them and keep serving Kiwis, rather than being paralysed by the changes. It's something that will pass and, as long as you do the right thing with a good process, you should just focus on doing good business.

Looking ahead, what are your goals, business & personal, for the future?

Business-wise, I want to work smarter and do more mentoring and coaching. I want to expand that out further to get new people into the industry. I'll also be focusing on succession plans. It's about creating a good legacy for clients and advisers.
Personally, I want to see more of New Zealand. I've actually seen most of it but there are still new places to see. Next month I'm going to New Plymouth for a long weekend with my wife for the first time for example.

Finally, do you have some words of wisdom, or tips, for other advisers?

Get a mentor. Make sure that you are always learning. Build resilience in your business in both your finances and your intellectual property: it takes the pressure off. Do the right thing for clients, don't do things just because you need to make a sale. And always look to pay it forward. ✚

From

I was born in Italy and spent some of my childhood in Japan too. We moved to Auckland when I was nine and I'm based on Auckland's North Shore now.

Family

I'm married with two daughters who are in their early 20s.

Out of work interests

Restoring classic cars, trying to improve my golf, and hanging out with my wife more.

Favourite film

The Life of Brian would be my film pick. When it comes to TV, I enjoy documentaries on Netflix, especially ones about engineering and flying.

Favourite book

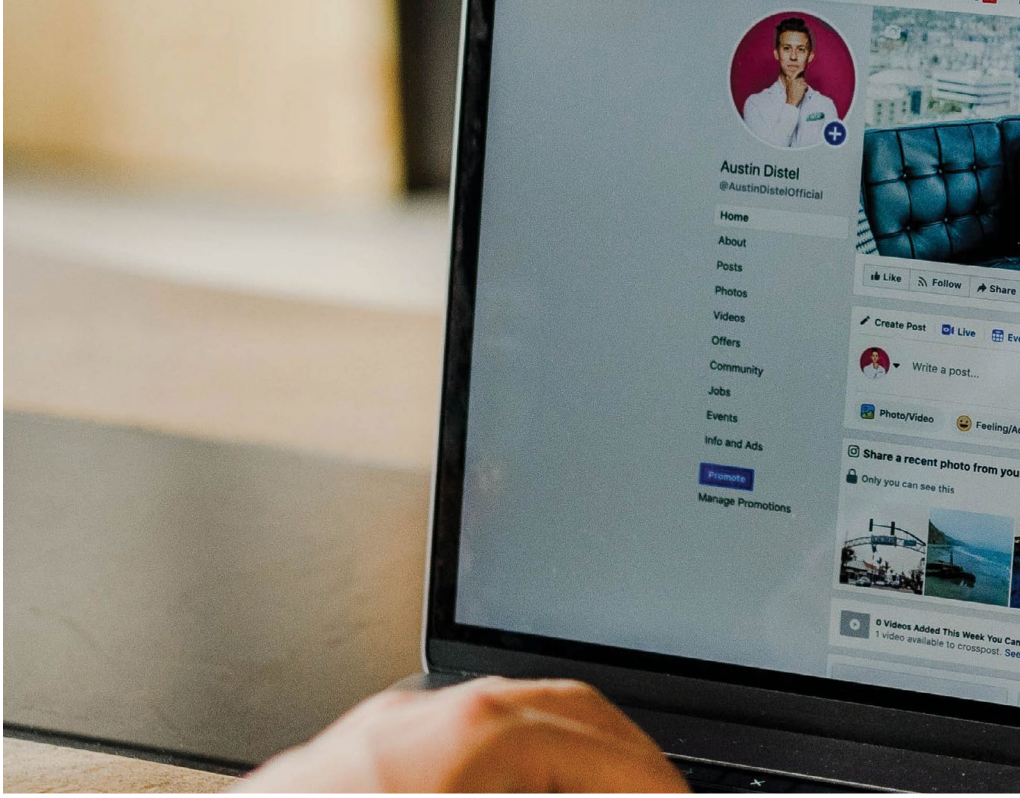
I like a good biography and reading about notable figures in history.

Favourite music

Classical or 1980s music. But I'm listening to lots of podcasts these days.

Motto

I have two! One is: "It's not the rate you pay, it's the rate you can pay it off that is important." The other is: "Integrity is what you do when no-one else is looking."



How to humanise your brand

Paul Watkins explains how to inject some personality into your business and generate more loyalty from your clients.

BY PAUL WATKINS

People don't deal with businesses. They deal with people.

I'm sure you've heard comments before like: "That woman Sue at XYZ Menswear was amazing! I am definitely going back there again, she knew exactly what suited me. I went in for a jersey and ended up spending $1,260."

Don't believe me? That example was me from early last year. My visits now coincide with her shifts, and I am a loyal non-price-driven customer. The store is a nationwide chain, but the brand is not what I buy. I buy from Sue.

It is the same for your brand. As you know, finances are a very personal thing. Only you and your clients' doctor know so much about them. People choose their doctor based on the relationship, rather than their medical prowess, which is assumed.

So how do you humanise your brand to generate a greater level of loyalty and referrals? There are several ways. Covid-19 has moved a huge amount of consumer activity online, and adding a more human, personal touch is more critical than ever.

"How do you humanise your brand to generate a greater level of loyalty and referrals?"

The first step is to decide on the "personality" of your business

If you had to choose five emotive words to describe your business, what would they be? Fun? Easy going? Funny? Informative? Helpful? Friendly? Professional? Chatty? Make a long list from a brainstorm with your team and consider each until you have reduced the list to no more than five. Base your choice on feedback from clients, the way you like to interact with them, and your personality.

Most advisers use a brand that is descriptive and not emotive, such as "Mortgage Experts" – a general description, or "City/Town Mortgage Brokers" – a location. Adding a personality works for all brands, just like the woman at the clothing store.

You sell an intangible service. The end result is the house your client is seeking. But you must put a personality to your process.

Why should they choose you? What can you do that is better, quicker, easier or more personalised than your direct competitors? Basically nothing. You all operate pretty much exactly the same way, so it's you they will choose, due to your demeanour and perceived likeability.

The next step is to consider the medium you will use to convey this message

As online activity is the biggest opportunity by far, accelerated by Covid, then your website, Facebook, and LinkedIn stand out as the best vehicles. Fortunately, they are also the most cost-effective.

> **"Once you've worked out your style, stick to it. Don't mix it up too much. It will quickly become part of your trademark and what you become known for."**

Put a face to the name

This is obviously achieved via pictures and particularly video. Video is still king in all mediums and will remain so forever. Everyone has a phone with video capability, YouTube is second only to Google as a search engine, and apps such as "TikTok" are exploding in popularity. Consuming video is our number one form of media consumption, so use it! And the best part is that video is the best way to get your personality across.

So how do you use video to effect?

You have already decided on a personality style – the five words discussed above. These should be your guide in making short videos. For example, if you chose words such as "relaxed", "informal" and "friendly", then videoing yourself in a suit and tie behind a desk in your high-rise office simply doesn't match this. Equally, if you want to be viewed as knowledgeable and professional, as many of your clients are referrals from accountants and other professionals, then a formal setting may work for you.

Once you've worked out your style, stick to it. Don't mix it up too much. It will quickly become part of your trademark and what you become known for. If you like to go to the client's home, then you may choose to video yourself while driving with a dash-mounted cam. I follow a marketer who does this, calling his approach, "marketing in the car".

What should you say in the videos?

Brainstorm on ten ideas right away. Once you start, you will not run out. Think up ten two-minute videos and start making them. Talk into your cellphone held at arm's length. Your first attempts will be terrible, but they get you started. Try not to use a script, but just talk. Keep making them. The only way to get good is to practice. Some may only be 30 seconds, while others may be four minutes long. Have a standard intro and outro, being your logo, possibly 3-5 seconds of music, and with contact details at the end, and use these consistently.

What sort of topics?

There are so many to choose from. Your thoughts on debt, case studies (with names and some numbers changed), market challenges, borrowing regulation changes, overall debt management, managing a mortgage with job uncertainty, ways to get into your first home, what do you do if you retire with a mortgage, interviews with "experts" such as real estate agents, accountants and insurance advisers. How to get into investment properties, relevant law changes, relevant local government planning laws, changes to lender policies, ways to reduce the time to pay off a mortgage, to name a few.

I predict you could talk to all these topics without hesitation or having to do any homework. You will not run out of ideas once you get started. Think of them as what you would say face-to-face to a client, which you do every day.

These then become your blog for your website, as well as your social media posts. And all the equipment you need is free or close to free. If you don't already have one, go shopping for a cellphone with a high-quality camera. Ask the store for the ones with the best video cameras.

To edit videos, there is free software such as "Shotcut", among others. You can create slides or intro/outro graphic using "Canva" (which has a free version) and posting to websites and social media is, of course, free. To make sure your social posts are seen, you can run the posts as adverts. There are literally thousands of YouTube videos on how to do this, so search how.

You may wonder how this works when you are a firm with multiple brokers. Do you let everyone develop their own "personality" and brand within your firm or just the key principal of the firm? The answer is each individual should portray their personality but within your firm's written guidelines. This is no different to how a real estate firm operates.

The bottom line is people buy from people

Since you have no competitive advantage in terms of your offering, interest rates, paperwork or criteria to borrow, (all controlled by the lender), then it's you they buy. So make yourself the human that you are – not a static brand. ✚

Paul Watkins writes blog content and newsletters for financial advisers.

Insurance adviser conduct obligations: part IV

Steve Wright explains what insurance advisers will need to demonstrate to clients, and what constitutes giving "suitable" advice.

BY STEVE WRIGHT

Code Standard 3 requires that all financial advisers give advice that is suitable, having regard to the nature and scope of the financial advice. In addition, Section 431L of the FMC Act requires that advisers must exercise the due care, diligence and skill that a prudent adviser would exercise in the same circumstances.

These requirements effectively say: "You must know what your client is asking you to do for them, do that competently and properly, and, you will be judged by the standard of the reasonable prudent adviser."

This is the minimum level of competence required. If you promise specialist advice or superior advice or service, then a client will likely be entitled to expect a higher level of service, skill and knowledge, from you.

"Suitability" will likely be judged on the service you have agreed to do for the client (your scope of service), the client's needs and your associated recommendations.

Code Standard 3 obligations

The commentary to the Code Standard 3 says that suitable advice should be based on reasonable and appropriate grounds, such as those in relation to:

- any strategy supporting the advice
- any underlying assumptions
- any financial advice product
- the client's relevant circumstances.

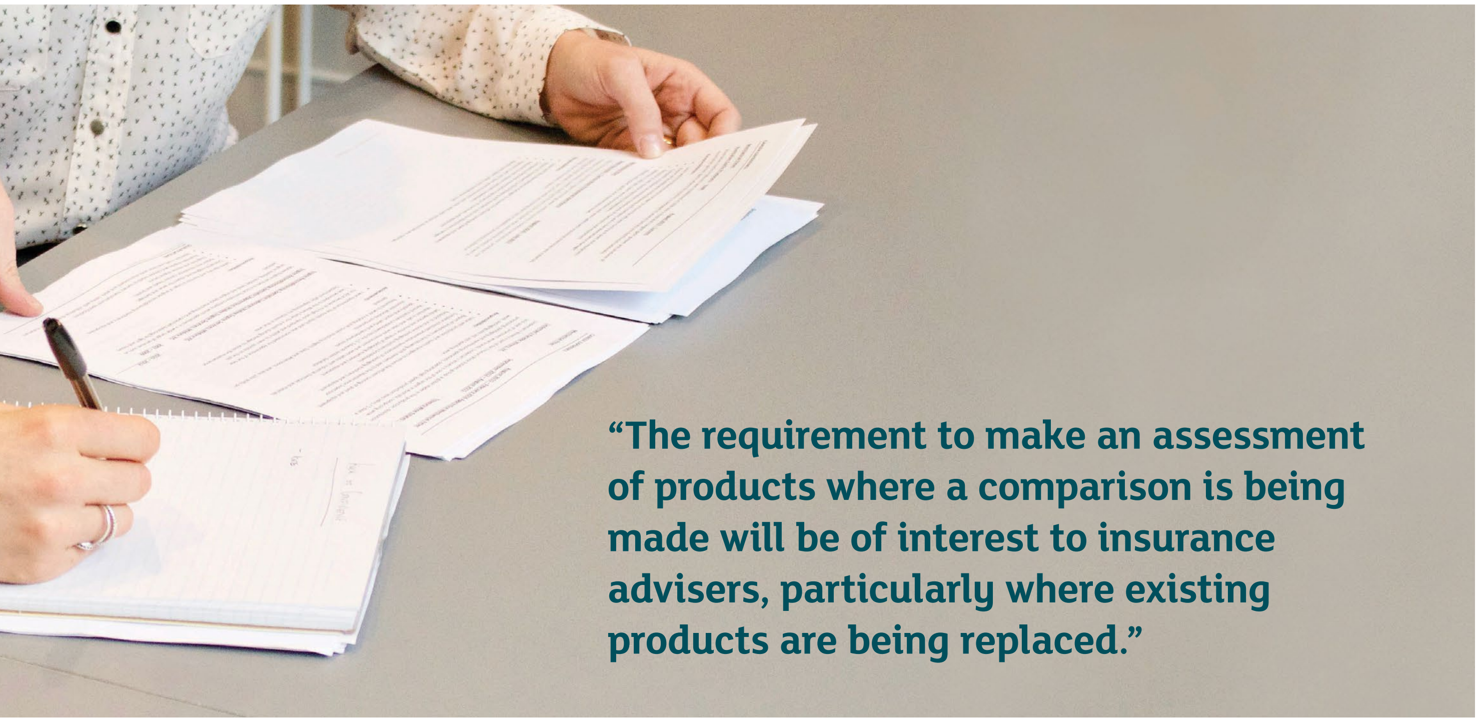
The commentary goes on to say the following.

- "Depending on the nature and scope of the advice, a detailed analysis of the client's circumstances may be required, or it may be reasonable to make assumptions about the client's circumstances based on particular characteristics of the client.
- "If the advice includes a comparison between two or more financial advice products, the advice must be based on an assessment of each product.
- "An adviser can rely on another person's assessment of a product or strategy if the adviser can demonstrate it is reasonable to rely on the other person's assessment."

For typical life and health advice, most of the time the client's actual circumstances are absolutely relevant and necessary. But even then, some assumptions based on the client's characteristics may be required (like the probable incidence of disability depending on the client's age and occupation).

Making a product comparison

The requirement to make an assessment of products where a comparison is being made will be of interest to insurance advisers, particularly where existing products are being replaced. What is required to comply?



"The requirement to make an assessment of products where a comparison is being made will be of interest to insurance advisers, particularly where existing products are being replaced."

"It is especially important to document the reasons behind the advice recommendations, with sufficient explanations (including possible consequences)."

Does this requirement mean advisers must see the client's existing policy document? I suspect it does because the existing policy may be several years old and different from the same product currently being issued by the existing provider. Then a fair comparison of benefits gained and lost must be clearly communicated with the client along with the dangers inherent in being underwritten again.

Relying on another person's assessment is also worth thinking about. Asking peers for their opinions is useful for learning, but their opinions or views should not be blindly applied to every client unless they have been considered and are appropriate for that client.

Using product "rating houses" to compare insurance products also needs careful consideration, and as usual, their use must be appropriate for each client. Product comparisons can be useful for learning and comparing products. Still, they usually can't determine suitability because they typically don't take enough, or any, of your specific client's circumstances, needs or wishes, into account.

Giving suitable advice is more than just recommending the right insurance product to indemnify against the risk (life cover for death risk, for example). Suitable advice goes to the product, the sum insured, the options selected or declined, the premium structure, policy ownership and any number of additional things, including specific features, terms and conditions within products, all of which will be impacted by your client's needs.

Provider selection

"Suitability" probably also applies to product provider.

Provider selection can result in significantly different client outcomes even across "same" products (differences in benefits/claims, cost efficiency and existing cover increase and access convenience, for example). For this reason, I believe provider selection is a critical part of getting (and giving) good advice. Careful consideration needs to be given to recommending the most appropriate provider's product or combination of products, unless you have made it abundantly clear to your client that you will only consider a limited number of providers and what the consequences of this limitation might mean for them.

Documenting your recommendation

Sometimes the reasons behind an adviser's recommendation are not immediately obvious. In these cases, it is especially important to document the reasons behind the advice recommendations, with sufficient explanations (including possible consequences), so that the client has enough information to make an informed decision and understands the advice. Under the new Code Standard 4, advisers have a duty to ensure that clients understand their recommendations and advice, and this will be discussed in the next edition of *TMM*. ✚

Steve Wright has qualifications in Law, Economics, Tax and Financial Planning and is General Manager Product at Partners Life.

The TOP 10 stories on www.tmmonline.nz

There was a wide variety of stories on *TMM Online* since the last issue of the magazine. Here's what mortgage advisers have been reading.

01 SUB 2% MORTGAGES TO BOOST HOUSE PRICES
Home loan rates will plummet to 2% in the next year, with low rates set to push up house prices, according to ASB.

02 WHY MORTGAGE RATES ARE LIKELY TO FALL EVEN LOWER
Home loan rates are already at record lows, but economists at ASB predict interest rates will plummet even further in the coming months.

03 ANZ EASES SERVICING TEST
ANZ has become the latest bank to ease its servicing test criteria for borrowers, reflecting the lower interest rate environment.

04 NEGATIVE OCR ON THE WAY ASB AND ANZ
ASB and ANZ have revised their forecast for the official cash rate and predict we will get negative rates next year.

05 NEGATIVE OCR IN APRIL 2021: WESTPAC
The Reserve Bank will still need to slash the official cash rate to negative territory next year, despite a better-than-expected recovery from the Covid-19 pandemic, according to Westpac economists.

06 TURNAROUND TIMES DETERIORATE
Turnaround times "seem to have got worse" following Covid-19, according to a new survey conducted by economist Tony Alexander.

07 WESTPAC LOAN PROCESS GETS THE THUMBS UP
Westpac's decision to process third-party loans in-branch has been a success, leading to improved turnaround times, advisers say.

08 ASB EASES SERVICING CRITERIA
ASB Bank has eased its lending servicing criteria after cutting home loan rates for high LVR borrowers last week.

09 SERVICING TESTS HINDER HOME LOAN MARKET
Tough servicing tests continue to hinder the home loan market, leaving borrowers unable to tap into attractive headline interest rates.

10 ASB CUTS RATES FOR HIGH LVR BORROWERS
ASB Bank will no longer charge high LVR borrowers a higher interest rate, promising to offer the same price "irrespective of equity levels".

***TMM Online* also has all the latest mortgage rates and changes.**
www.tmmonline.nz

Now more than ever, customers are looking for flexible finance.

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