



Learn how to invest series

WORKBOOK

sorted.org.nz

sorted
at Work



Nau mai!

Welcome to this learn to invest series

This programme is designed for those who want to get into investing but don't know where to start. The five modules focus on building financial capability in investing. There's a lot to cover, and we may not be able to cover everything you need to know, but we'll give you the tools and resources to help you do your own research to fill in any gaps.

By the end of the five modules, you'll have developed an action plan to help you get started with investing.

Note: The modules are designed to be fast-paced and cover a lot of content in an hour. It might not be the right pace for everyone.

Part 1

Intro to investing

Get to know your investor type and start thinking about the best strategies to suit your situation.

Part 2

Making room for investing

Understand the importance of identifying priorities to make a spending plan stick.

Part 3

Investing strategies

Find out the different options available for investing and which one most suits your asset allocation.

Part 4

Optimising your investments

Find out what you need to consider when choosing an investment, i.e. fees, ethical concerns, time in market etc

Part 5

Getting started with shares

This session will provide you with an opportunity to participate in a share market simulation.

This series will not provide specific personal investment advice

It's an opportunity to discover tools that can help you to make informed decisions and provides support for you to find out how to seek independent advice.

Intro to investing

Asset

Something you buy as an investment because it has the potential to become more valuable in time by being sold for a higher price, or because it produces a regular income, or both. An asset puts money in your pocket, as opposed to a liability, which drains it.

Four main investments (asset classes)

Shares

When you buy shares you are actually buying part of a company. You may receive a portion of the company's annual profit, called a dividend. You can buy shares through a stockbroker. They are medium to high risk because the prices of shares typically go up and down, which is called 'volatility'.

Bonds

When you buy bonds, you are effectively 'lending' your money to the other party (it could be a company, bank or local government organisation) for a number of years. This means your money is locked in. You can sell your bonds early, but the price you get back might not be what you originally paid. You can buy bonds through a broker.

Property

Property refers to both commercial property and rental property (not the family home). Commercial property can be owned through property trusts or companies who own or develop property as their business. With rental property, you receive income from rent, but you also have costs, such as mortgage, insurance, rates and maintenance. There is also a risk that your tenants may not pay or may cause damage to your property. You can make a capital gain when you sell a rental property (as you would with your own home) for more than you paid for it. However, house prices may fall and you may make a loss. Property investment is generally high risk.

Cash

Cash investments can include money in bank accounts, savings and term deposits. They provide stable, low risk income in the form of interest payments.

Managed funds

Include a mix of the four kinds of investments above. These are pools of money from many investors where an expert (a fund manager) decides what shares or other investments to buy. The risk of managed funds can range from low to high depending on the mix of investments it holds. KiwiSaver is a managed fund.

Alternative investments

Some of these you can speculate on whether their value will go up or not, and whether someone else will pay more for them in the future, which is not really investing.

Commodities

These include gold and silver. You buy and sell them at the price of the day, making either a profit or a loss.

Currency

You buy foreign currency and hope that exchange rates will move in your favour in the future when you can exchange your money for a better price.

Derivatives

These include options and futures. The concept allows people to protect themselves (hedge), against a future price movement.

Cryptocurrencies

Digital tokens you can buy through an online exchange or through Initial Coin Offers (ICOs). Many online exchanges are unregulated, so it's important to understand the risks before you invest.

More information: sorted.org.nz/must-reads/is-buying-bitcoins-really-investing

Rule 1: Set clear goals

1. Be clear and realistic about what you want to achieve.
2. Know the timeframe you need to invest for.

Goal	Timeframe	Goal \$	Strategy
<i>i.e. House deposit</i>	<i>6 years</i>	<i>\$100,000</i>	<i>Contribute 10% of income to a managed fund</i>

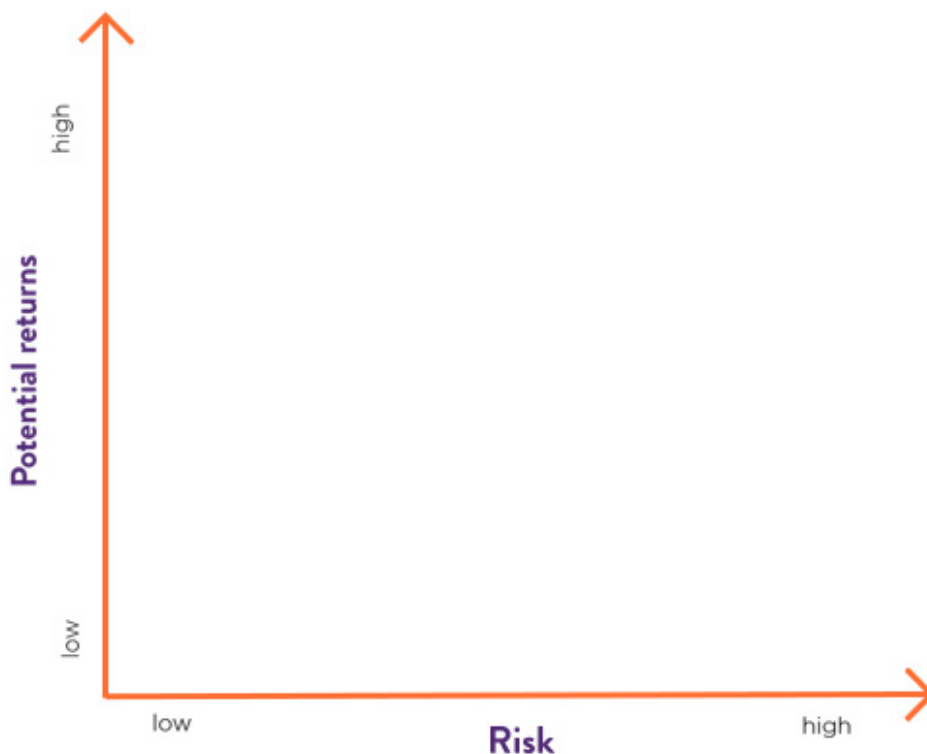


Rule 2: Find the right balance between risk and return

Assess how much risk is worth to take on and if it's worth the potential returns.

Plot the following asset classes on the graph below:

Shares, Property, Bonds, Cash



Risk

The chance that we might not reach our goals. Many kinds of risks come with investing, and the particular risks you face depend on the individual investment or fund. KiwiSaver funds are typically grouped by risk levels, with the amount of growth assets each holds determining the level. Growth assets tend to bring more risk.

Return

What we 'get back' when we invest. Returns typically come from your investment becoming worth more so that someone else is willing to pay more for it, or from the income it spins off, such as rent from property, dividends from shares, or interest from bonds and cash. Or both! Returns can be both positive and negative, and there is always a balancing act between risk and return. The higher returns we chase, the more risk we have to shoulder.

Rule 3: Learn your asset mix

Learn what type of investor you are and what mix of investments matches your investor type.

sorted.org.nz/tools/investor-kickstarter ↗

For this goal I'm a ...	Cash	Bonds	Property	Shares
<i>Growth investor</i>	4%	26%	10%	60%

Rule 4: Don't forget to diversify

Spread your risk by not putting all your eggs in one basket.

My diversification strategy:

Diversification

Not putting all our eggs in one basket, or spreading our risk by choosing different individual investments within an asset class. So instead of us buying a single share worth \$800, we can buy 80 shares worth \$10 in different companies, industries and countries around the world. Most managed funds like KiwiSaver are diversified for you.

Rule 5: Do your research

Compare and review choices.

[Smartinvestor.sorted.org.nz](https://www.smartinvestor.sorted.org.nz) 

My research strategy:

Rule 6: Grow your investments

Understand the power of compounding interest.

My grow strategy:

Action plan

Actions

Get it done by

Done!

Additional resources

financialadvice.nz/find-an-adviser ↗

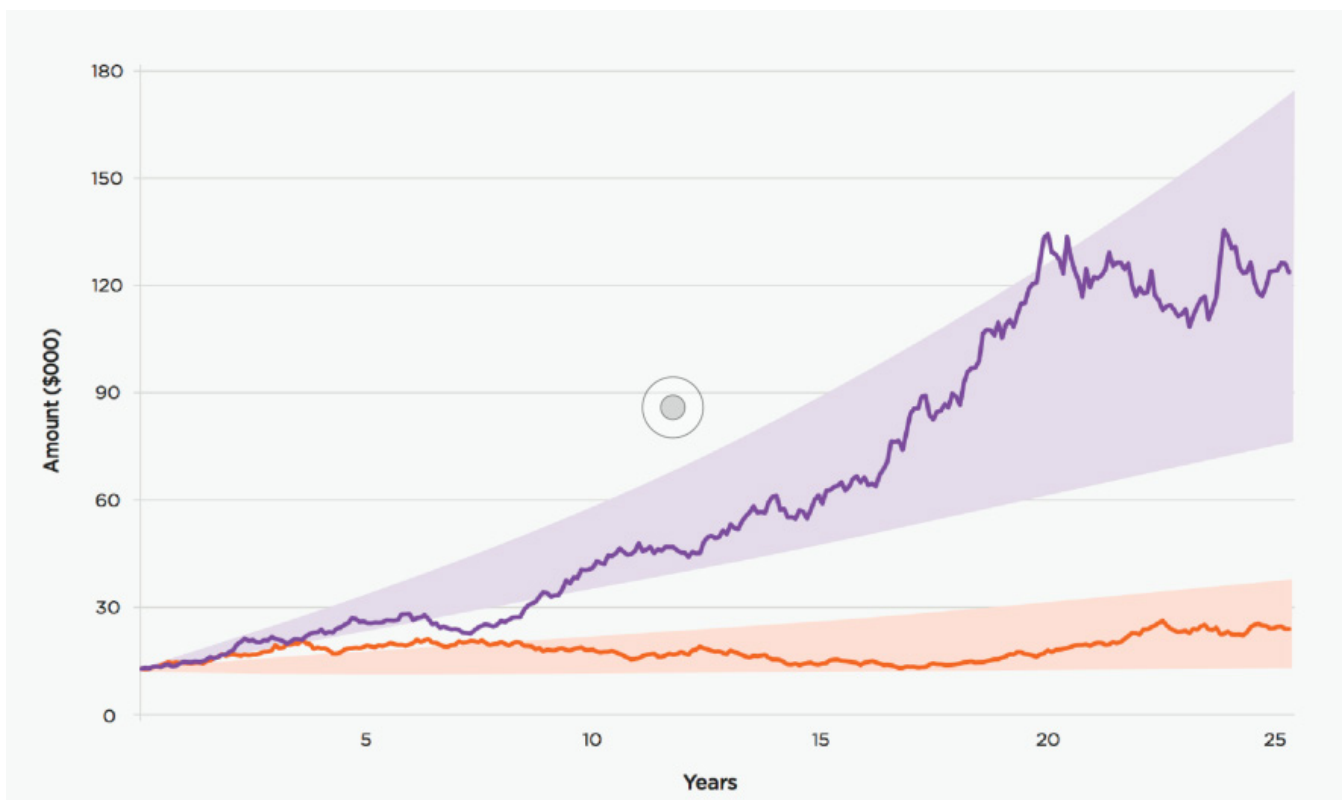


Making room for investing

Contributing regularly harnesses the market.

This graph shows the vast difference between leaving \$10,000 in the share market over 25 years (which here in orange results in just \$21,170) and instead adding \$50 each week to that \$10,000 (the purple line, which here grows to \$121,100).

Typical results would fall within the shaded areas - orange results would be between \$10,080 and \$34,730; purple between \$74,160 and \$170,930. (These figures have been adjusted for fees taxes and inflation.)



Volatility

The ups and downs in value that an asset can have. Often mistakenly used interchangeably with 'risk'. Although the two are related, they are not the same. We might invest in a growth fund that has a lot of ups and downs (high volatility), but because we have a long time before we need our money (a long time horizon), there actually may be little chance (risk) of us not reaching our goals by investing.

Spending tracker

Item	\$	Want or Need	How many hours worked?	How did you feel?

Try using this as a template in a notebook, or use an app on your mobile.

Money systems that could work for me

New Zealand money apps:

Pocketsmith (freemium)

PriceSpy and PriceMe

Sorted budgeting tool

Other money apps:

Monefy (free)

Spending Tracker (free)

Splitwise (free)

The Smiths' family budget

The Smith family live in Hamilton. They are two adults and they have three children who are all at school. They also have a cat called Barney. They have 10 years left on their mortgage.

The Smiths' investing goal is: Have \$200,000 invested in managed funds in 25 years for their retirement in addition to their KiwiSaver. Where could they make changes to make room for their investing goal?

INCOME (Fortnightly, net after tax & KiwiSaver)	Fortnightly
Income 1	\$2,272.69
Income 2	\$1,404.60
Child support	
Family Tax Credit	
Student Loan / Allowance	
ACC	
Superannuation / Pension	
Rent / board	
Other earnings	
TOTAL INCOME ▶	\$3,677.29

Notes:

Weekly to fortnightly x 52 ÷ 26
 Monthly to fortnightly x 12 ÷ 26
 Annual to fortnightly ÷ 26

Go to paye.net.nz to calculate income net after tax.

EXPENSES	Fortnightly
TOTAL 1 FORTNIGHTLY EXPENSES	\$2,813.42
TOTAL 2 MONTHLY EXPENSES	\$1,219.04
TOTAL 3 ANNUAL EXPENSES	\$1,136.29
TOTAL EXPENSES ▶	\$5,168.75

INCOME LESS TOTAL EXPENSES	Fortnightly
TOTAL INCOME ▶	\$3,677.29
Less - TOTAL EXPENSES ▶	\$5,168.75
Equals = SURPLUS / DEFICIT ▶	-\$1,491.46

Fortnightly expenses	Fortnightly
Credit card + interest (minimum)	\$100.00
Entertainment (movies, theatre)	\$200.00
Student Loan / allowance repayments	\$80.42
Child support (1 son from previous relationship)	\$75.00
Groceries - including toiletries	\$650.00
Cleaner	\$100.00
Coffees	\$120.00
Petrol	\$160.00
Lunches	\$200.00
Restaurants	\$200.00
Wine / beer / spirits	\$200.00
Lotto	\$32.00
Childcare / daycare	\$426.00
Pre-school	\$-
School costs (trips, lunch money etc)	\$50.00
Giving (charity, tithing, church, koha etc)	\$10.00
Kid's pocket money	\$60.00
Superannuation	\$-
Savings	\$100.00
Other fortnightly costs	\$50.00
TOTAL 1 ▶	\$2813.42

Monthly expenses	Monthly	Fortnightly
Bank fees	\$5.00	\$2.30
House mortgage	\$1,275.00	\$588.46
Electricity	\$300.00	\$138.46
Land line	\$14.00	\$6.46
Mobile	\$45.99	\$21.23
2nd mobile	\$20.00	\$9.23
Pay TV	\$104.98	\$48.45
Internet	\$94.98	\$43.84
Health insurance	\$212.00	\$97.85
Contents / car insurance	\$104.98	\$48.00
Life insurance	\$173.33	\$80.00
House insurance	\$91.00	\$42.00
Car loan	\$200.00	\$100.00
TOTAL 2 ►	\$2,640.28	\$1226.28

Annual expenses	Annual	Fortnightly
AA Membership	\$160.00	\$6.15
Car registration	\$400.00	\$15.38
Warrant of Fitness	\$200.00	\$7.69
Vehicle maintenance	\$1,500.00	\$57.69
Road user charges (diesel)	\$1,200.00	\$46.15
School fees	\$160.00	\$6.15
Sports - judo, rugby, swimming, dance	\$1,795.00	\$69.04
Other school costs	\$100.00	\$3.85
Council tax / rates	\$2,137.00	\$82.20
Water rates	\$631.44	\$24.29
Recreation / memberships (adults)	\$360.00	\$13.85
School holiday programme	\$1,200.00	\$46.15
Doctors	\$250.00	\$9.62
Dentist	\$500.00	\$19.23
Optician	\$250.00	\$9.62
Gifts (Christmas / birthdays)	\$5,000.00	\$192.31
House maintenance	\$2,500.00	\$96.15
Clothing / shoes	\$2,500.00	\$96.15
Haircuts	\$1,000.00	\$38.46
Overseas holiday	\$6,000.00	\$230.77
Vet fees - cat	\$200.00	\$7.69
Camping holiday	\$1,500.00	\$57.60
TOTAL 3 ►	\$29,543.44	\$1,136.29

What changes could they make to start making headway towards their investing goal?

My budget

sorted.org.nz/tools/budgeting-tool 

INCOME (fortnightly, net after tax)	Fortnightly
TOTAL INCOME ▶	

Notes:
 Weekly to fortnightly x 52 ÷ 26
 Monthly to fortnightly x 12 ÷ 26
 Annual to fortnightly ÷ 26

Go to paye.net.nz to calculate income net after tax.

EXPENSES	Fortnightly
TOTAL 1 FORTNIGHTLY EXPENSES	
TOTAL 2 MONTHLY EXPENSES	
TOTAL 3 ANNUAL EXPENSES	
TOTAL EXPENSES ▶	

INCOME LESS TOTAL EXPENSES	Fortnightly
TOTAL INCOME ▶	
Less - TOTAL EXPENSES ▶	
Equals = SURPLUS / DEFICIT ▶	

Fortnightly expenses	Monthly	Fortnightly
TOTAL 1 ▶		

Action plan

Actions

Get it done by

Done!

Additional resources

assets.sorted.org.nz/public/Uploads/The-Smiths-Spending-Plan.xlsx ↗

paye.net.nz ↗

sorted.org.nz/tools/budgeting-tool ↗

Investing strategies

Managed funds

Active managers usually trade shares quite frequently, looking to enhance their returns. The theory behind active management is that managers can make a difference by using their superior analysis and systems and then putting only the best assets in their portfolios and possibly even shorting the bad ones. Active management costs more, so the fees tend to be higher.

Passive managers simply buy and hold a range of shares.

Invest in all the shares in a share market index, changing only as the index changes, such as the NZX 50.

Fees tend to be larger on higher-risk funds that hold largely shares and/or property than on lower-risk funds that hold largely bonds and cash. This is because they cost more to run. Usually, over the long term, the higher returns that come with higher risk will more than offset the higher fees.

[Smartinvestor.sorted.org.nz](https://www.smartinvestor.sorted.org.nz) 

The difference between speculating and investing

Income and capital gains

Action plan

Actions

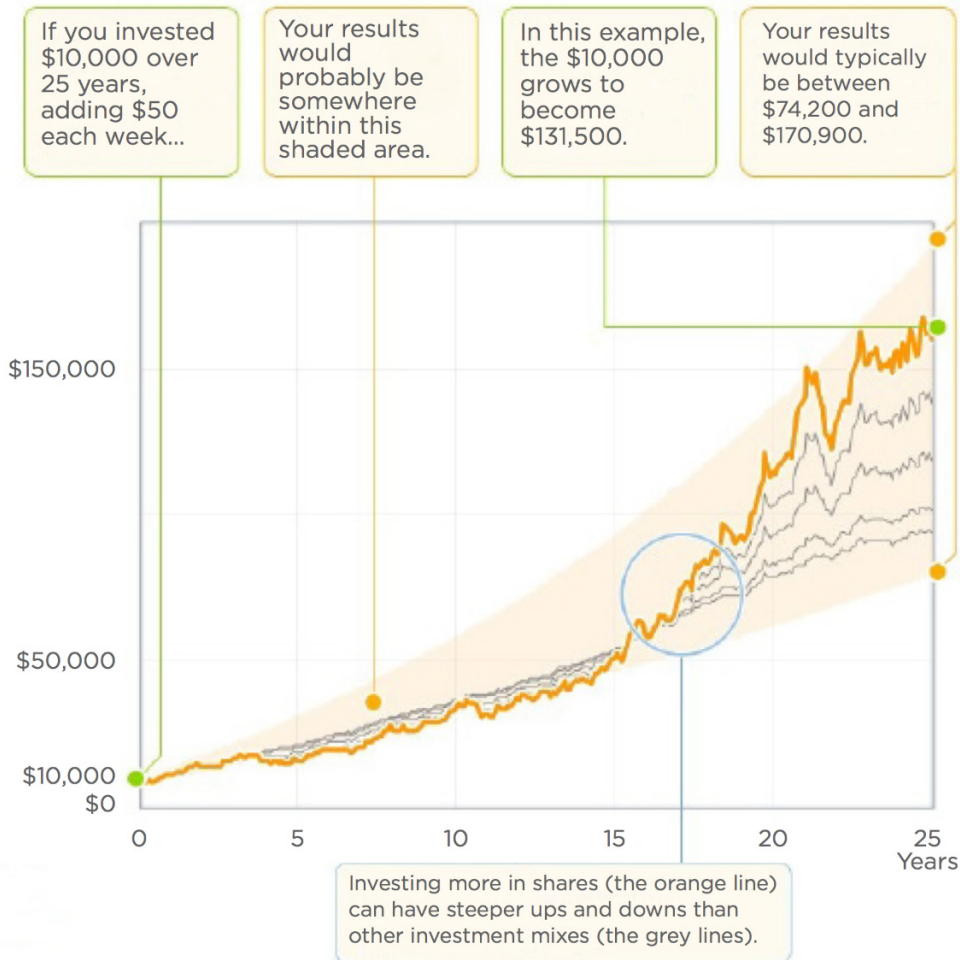
Get it done by

Done!

Additional resources

financialadvice.nz/find-an-adviser 

Optimise your investments



Inflation

Your future dollars will not have as much buying power as they do now. So when we estimate for the long term, we need to take this into account to make sure we'll have enough, and that our investing outpaces inflation and gets us truly ahead. Otherwise we're rolling backwards without knowing it.

What's my PIR?

ird.govt.nz/pir ↗

A prescribed investor rate (PIR) is the rate used to calculate how much tax you'll pay on your portfolio investment entity (PIE) taxable income.

Depending on your circumstances, individual investors could choose a PIR of: 10.5% | 17.5% | 28%

Find the right fund

sorted.org.nz/myfundtype ↗

	Defensive	Conservative	Balanced	Growth	Aggressive
Your level of risk					
Likely ups and downs					
Potential results					
Invest for at least	1-3 years	2-6 years	5-12 years	10 years	13 years

Defensive

0% to 9.9% in growth assets.

Generally suitable if you:

Don't want your KiwiSaver account to ever go down (although there are no guarantees). Although, that means your account almost certainly won't grow as fast, over the long term, as investing in riskier funds.

Growth

63% to 89.9% in growth assets.

Generally suitable if you:

Are looking for fairly high growth over the long term, and won't want to switch to a lower-risk fund whenever you see your account balance fall quite a lot.

Conservative

10% to 34.9% in growth assets.

Generally suitable if you:

Are willing to take on some ups and downs in value, and are seeking average long-term returns a bit higher than in a defensive fund but probably not as high as in riskier funds.

Aggressive

90% to 100% in growth assets.

Generally suitable if you:

Are looking for strong long-term growth, knowing you will stick with your fund even when your balance falls fast.

Balanced

35% to 62.9% in growth assets.

Generally suitable if you:

Are middle of the road, comfortable with seeing your account value sometimes fall a little and seeking mid-range long-term returns.

The fund that suits me

Fees – what am I paying?

Sorted KiwiSaver fees calculator

sorted.org.nz/tools/kiwisaver-fees-calculator ↗

I'm on track to pay \$ fees until I reach 65.

Am I getting value for money?

Ethical investing

Find out exactly who and what you're investing in. How do you feel about the results?

Action plan

Actions

Get it done by

Done!

Additional resources

sorted.org.nz/must-reads/looking-for-ethical-options ↗

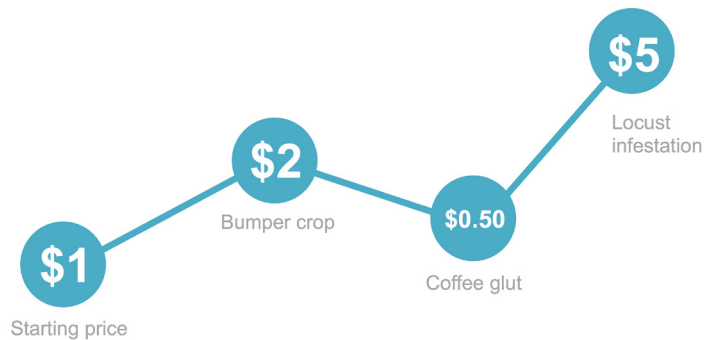
fma.govt.nz/investors/resources/ethical-investing/ ↗

Getting started with shares

Investing in shares

When we buy shares, we're buying a small part of a company to share in any profit the company makes.

Let's say, for example, we buy shares at \$1 each in Coffee Express Ltd, a coffee company.



There's been good weather for growing coffee this season, and there's been a bumper crop. Coffee Express shares are now worth \$2. However, eventually an excess of coffee develops on the market, and as prices tumble the company's value declines to \$0.50.

Then, a locust infestation hits coffee plantations around the world, and there is a world shortage. Coffee Express shares jump to \$5!

We can see how the value of shares can rise and fall quickly. If you sold shares during the coffee glut, you would have lost 50% of what you paid

for them. People try to buy low at \$1 and sell high at \$5, but those locust infestations are so unpredictable!

Yet in general, the value of companies grows over time, which is what makes shares such a wealth-building investment. To ride out those ups and downs, investing in shares is a long game to be in (typically a decade or more). It also helps not to be invested in a single company like Coffee Express, but instead in a multitude of companies here and overseas. Some companies will do badly, others will do well, and over time their collective value grows.

Work it out

Company	A Total \$ invested	B Share price	C How many shares $A \div B$	D New share price	E Total $C \times D$	F Profit/loss $E - A$
ie AAA	\$1000	6.6	151.5	8.8	1333.33	333.33

Playing the share market

Market Activity for NZSX Market on 23 Sep 2013

Code	Company	Price	Change	Volume	Capitalisation
ABA	Abano Healthcare Group Limited Ordinary Shares	\$6.65	\$0.05	4,075	\$26,951.25
ACY	Acurity Health Group Limited Ordinary Shares	\$4.250	-	-	-
AFI	Australian Foundation Investment Company Limited Ord Shares	\$6.57	\$0.02	6,557	\$43,019.13
AIA	Auckland International Airport Limited Ordinary Shares	\$3.315	\$0.025	2,032,475	\$6,749,455.15
AIR	Air New Zealand Limited (NS) Ordinary Shares	\$1.425	\$0.005	1,639,541	\$2,336,162.49
ALF	Allied Farmers Limited Ordinary Shares	\$0.045	\$0.001	4,401	\$198.05
AMP	AMP Limited Ordinary Shares	\$5.25	\$0.07	30,619	\$162,825.81
ANZ	Australia and New Zealand Banking Group Limited Ord Shares	\$35.00	\$0.15	6,657	\$232,797.33
AOR	Aore Resources Limited Ordinary Shares	\$0.007	-	-	-
AOR	AOR 27/07/17 \$2.981 Warrants	\$0.020	-	-	-
APN	APN News and Media Limited Ordinary Shares	\$0.370	-	-	-
ARG	Argosy Property Limited Ordinary Shares	\$0.935	\$0.005	581,041	\$542,834.00
ASBPA	ASB Capital Limited (NS) Preference Shares	\$0.85	-	92,000	\$78,200.00
ASBPB	ASB Capital No.2 Limited (NS) Preference Shares	\$0.799	-	71,781	\$57,377.02
ATM	A2 Corporation Limited Ordinary Shares	\$0.71	\$0.01	217,680	\$154,552.80
ATR	Asian Total Return Investment Company plc	\$3.400	-	-	-
AUG	Augusta Capital Limited Ordinary Shares	\$0.79	-	520,000	\$406,100.00
AWF	AWF Group Limited Ordinary Shares	\$2.95	\$0.05	1,500	\$4,425.00
BGR	Briscoe Group Limited Ordinary Shares	\$2.46	-	6,245	\$15,362.70
BIT	The Bankers Investment Trust Plc Ordinary Units	\$10.94	\$0.01	1,060	\$11,596.40
BLT	BLIS Technologies Limited Ordinary Shares	\$0.01	\$0.001	220,000	\$2,200.00
BRL	Bathurst Resources (New Zealand) Limited Ordinary Shares	\$0.17	\$0.007	399,612	\$70,342.50
BRM	Barramundi Limited Ordinary Shares	\$0.70	\$0.01	117,603	\$84,075.13
CAV	Cavalier Corporation Limited Ordinary Shares	\$1.76	\$0.04	6,310	\$11,278.00
CDI	CDL Investments New Zealand Limited Ordinary Shares	\$0.545	-	3,800	\$2,071.00
CEN	Contact Energy Limited Ordinary Shares	\$5.27	\$0.07	237,663	\$1,257,776.37
CMO	The Colonial Motor Company Limited Ordinary Shares	\$4.70	\$0.05	4,642	\$21,817.40
CNU	Chorus Limited (NS) Ordinary Shares	\$2.92	\$0.01	1,282,821	\$3,752,458.07
CUE	Cue Energy Resources Limited Ordinary Shares	\$0.145	-	-	-
CVT	Comvita Limited Ordinary Shares	\$4.22	\$0.02	30,000	\$126,600.00
DGL	Delegat's Group Limited Ordinary Shares	\$3.97	\$0.03	1,152	\$4,569.70
DIL	Diligent Board Member Services INC Ordinary Shares	\$5.90	\$0.04	111,715	\$658,810.77
DNZ	DNZ Property Fund Limited Ordinary Shares	\$1.635	-	100,082	\$163,198.18
DOW	Downer EDI Limited Ordinary Shares	\$0.000	-	-	-
DPC	Dorchester Pacific Limited Ordinary Shares	\$0.22	\$0.01	23,131	\$5,088.82
EBO	Ebos Group Limited Ordinary Shares	\$10.11	\$0.07	56,823	\$574,498.17
EUT	The European Investment Trust plc Ordinary Units	\$12.850	-	-	-
FBU	Fletcher Building Limited Ordinary Shares	\$9.51	\$0.07	721,400	\$6,903,977.39
FCS	FandC Global Smaller Companies PLC Ordinary Units	\$15.600	-	-	-
FCT	Foreign and Colonial Investment Trust Plc Ordinary Units	\$6.98	-	6,900	\$48,162.00
FIN	Finzsoft Solutions Limited Ordinary Shares	\$0.420	-	-	-
FNZ	SmartFONZ	\$1.647	\$0.003	77,092	\$127,021.71
FRH	Fisher and Paykel Healthcare Corporation Limited Ord Shares	\$3.66	\$0.03	499,822	\$1,829,640.35
FRE	Freightways Limited Ordinary Shares	\$4.25	\$0.05	38,107	\$162,414.81
FSF	Fonterra Shareholders' Fund Units	\$718	\$0.09	338,204	\$2,454,260.21
GFF	Goodman Fielder Limited Ordinary Shares	\$0.80	\$0.02	58,116	\$47,321.78
GLL	GuocoLeisure Limited Ordinary Shares	\$0.78	-	2,767	\$2,146.88
GMT	Goodman Property Trust Ordinary Units	\$1.015	\$0.005	380,864	\$386,377.50
GPG	Guinness Peat Group Plc Ordinary Shares	\$0.57	\$0.005	3,575,978	\$2,051,797.90
HBY	Hellaby Holdings Limited Ordinary Shares	\$2.85	\$0.01	107,005	\$304,011.76
HED	Horizon Energy Distribution Limited Ordinary Shares	\$3.250	-	-	-
HFL	Henderson Far East Income Limited Ordinary Shares	\$6.350	-	-	-
HLG	Hallenstein Glasson Holdings Limited Ordinary Shares	\$5.00	\$0.05	24,484	\$122,901.00
HNZ	Heartland New Zealand Limited Ordinary Shares	\$0.84	\$0.01	165,927	\$140,790.10
IFT	Infratil Limited Ordinary Shares	\$2.42	\$0.025	777,543	\$1,881,289.74
INS	Insured Group Limited Ordinary Shares	\$0.015	-	-	-
JFJ	JPMorgan Japanese Investment Trust Plc Ordinary Shares	\$4.46	\$0.0	1,720	\$7,683.20

Additional glossary terms

Actual asset allocation

The mix of investments that a fund holds at a certain time. This 'actual' mix can vary from a fund's 'target' investment mix, although fund managers typically aim to track their targets closely.

Equity

The amount of something we own, typically in a property or business. If we sold the asset and paid back any money we owed on it, our equity would be what's left. For example, if we have a house worth \$350,000 and a \$300,000 mortgage, our equity in the house is \$50,000.

Fixed interest investments

Long-term, interest-earning assets, such as bank term deposits and bonds. These investments are generally lower risk, and offer a reliable return that can be used as income.

Fund

A pool of money from many individuals that a fund manager invests. Each KiwiSaver scheme has a number of investment funds within it to choose from. There are different types, such as conservative, balanced, or growth, each with a different mix of growth assets and income assets.

Fund manager

A person or organisation who looks after some or all of a KiwiSaver scheme's investments on behalf of the KiwiSaver provider. Sometimes also called an investment manager.

Index fund

A kind of fund that aims to hold investments that mirror a given index using passive management.

Investor profile

The type of investor we are, based on our capacity to invest, attitude toward risk and time horizon (duration). Our investor type will determine what mix of investments we choose, since different kinds of investments work in different ways and are suited for different purposes.

KiwiSaver default fund

A handful of balanced funds picked by the government, for KiwiSaver members who have not yet chosen the fund that suits them best. When someone is opted into KiwiSaver, such as when they start a first job, they are automatically funnelled into one of these default funds until they actively choose the fund they want to be in.

Liability

Something that drains money from our pockets; the opposite of an asset. Most things we buy each day are liabilities, but the goal of investing is to buy assets instead. For example, a holiday is a liability (even if it's a good one) and a bond is an asset (as long as it returns something to us). Liability can also refer to a debt or a promise to pay money for something in the future.

Liquidity

When we invest, we buy assets to gain returns. Liquidity refers to how easily we can turn our investments back into cash afterwards. Shares are more 'liquid' because they can be sold on a market quickly; property is less so because it can take some time to sell a house.

Nominal return

The money we get back from an investment, without taking inflation into account. Our 'real' return, instead, includes the effects of inflation. If our investment achieved a nominal return of 5% and inflation was 2%, our real rate of return is 3%. This is good to keep in mind when looking at term deposit rates, for example.

PIE

A Portfolio Investment Entity is a type of savings or investment fund that has special tax advantages. KiwiSaver funds are examples. When we save through or invest in a PIE, we pay either 0%, 10.5%, 17.5% or 28% tax on our share of the returns, depending on our income.

Securities

A real or virtual document that proves ownership of shares, bonds and other investments. This term is sometimes used interchangeably with 'investments' and the shares and bonds themselves.

Supervisor

A licensed entity independent of your KiwiSaver provider that supervises the provider's management of the scheme. KiwiSaver schemes are trusts, and (except in the case of a restricted KiwiSaver scheme) the terms of the trust deed state that the supervisor must hold all contributions and investments in trust for the investors. This means your funds are effectively ring-fenced in the event that the provider's business fails.

Term deposit

Money deposited for a fixed term – usually between 30 days and 5 years. If we want our money back before the term is up, we may have to forego a portion of our interest as a penalty.

Time horizon

In investing, the period of time before we need our money back. This is particularly important when we're choosing a mix of investments, to make sure the money will be there when we need it. Typical time horizons (also called 'duration') are 0-3 years (short term), 4-9 years (medium term), and 10 years or more (long term).

Unit

The measure of your ownership in the investments that your fund holds. You buy units by contributing to a given fund; you sell units when you withdraw money from that fund. The administrator of each KiwiSaver scheme keeps track of individual members' units.

Unit price

The price of buying or selling a unit in a fund. The unit price moves up and down, reflecting the value of the investments in a fund. Your balance is calculated by multiplying the number of units you have by the unit price on the day.

Unit trusts

A structure in use by many managed funds. Managed funds work by pooling money from a number of investors and then using this money to buy a variety of assets. In a unit trust, each investor owns a portion of the total fund.

Additional resources

fma.govt.nz/assets/Guidance/190325-Share-This-investor-guide.pdf ↗

sorted.org.nz/guides/protecting-wealth/fraud-and-scams ↗

sorted.org.nz/littleblackbookofscams ↗

Action plan

Actions

Get it done by

Done!

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