

PG Press

Perpetual Guardian Newsletter

Kia ora koutou,

In the ever-lasting quest to improve the way we do things, it has yet again been a stimulating period for the team at Perpetual Guardian.

You might have heard about the 'Four Day Working Week Trial' earlier this year. After a deep-dive into research on productivity, I decided to break down the conventional ways of working and trial a 32-hour work week with the team.



After the eight week trial, Professor Jarrod Haar from Auckland University of Auckland and Dr. Helen Delaney assessed the results and came back with their verdict: the trial was a resounding success!

Staff stress levels lowered by 7%; work life balanced improved from 54% to 78%; and team engagement levels (leadership, commitment, stimulation and empowerment) increased across the board, jumping from 64-68% to 82-86%.

Delighted with this result, we are now implementing a flexible working policy across the country. Under the new policy, the team operates in a much more flexible working environment, but still have to meet certain requirements within this, which we believe will also enhance our quality of service to clients.

While the policy means individuals aren't necessarily keeping to the Monday-Friday 9-5 rhythm, we have measures in place to ensure the best outcome for clients. Additionally, everyone is required to work in their local communities one day each quarter.

Your experience remains a priority, which is why everyone is working together to ensure a seamless transition.

In this edition of 'PG Press' we also have a number of important and exciting updates, including the introduction of a new digital arm of the business. I hope they will be as interesting to you as they are to me.

Ngā mihi

Andrew Barnes, Perpetual Guardian Founder and CEO

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In a de-facto relationship? Here's a cautionary tale.

Unlike marriage, de facto relationships can be a little difficult to define. This becomes even trickier when one half of the couple dies and the other person makes a claim against their estate.

A recent case, Moon v Public Trust, shows how the Courts assess relationship property claims when the nature of a relationship is in dispute. The case also shows the role Trusts can play in protecting assets from these sorts of claims.

Steven and Mary were in a relationship for 27 years. However, they did not ever live together and each owned their own house. There was little sharing of finances, they had no children together and Mary described herself as single and Steven as her friend and companion. He made no provision for her in his Will and took active steps to prevent her from being able to benefit from his assets after his death. Mary died and left Steven only her ashes in her Will. At Mary's death, Steven was earning \$100,000 a year. Steven claimed against her estate on the grounds that he and Mary were in a de facto relationship and that he was entitled to maintenance and support from her estate. The Court agreed and awarded him \$300,000. Why?

Steven claimed under the Family Protection Act 1955, which provides a Court with considerable flexibility in determining what a claimant is entitled to. While spouses or partners can contract out of the Property (Relationships) Act 1976 (often known as making a 'pre-nup'), it is not possible to prevent someone from claiming under the Family Protection Act 1955.

However, it is possible to protect your assets from claims under both Acts, by placing your assets in a Trust. Steven used a Trust to protect his assets, which meant that a claim by Mary against him or his estate under the Family Protection Act 1955 would have faced significant barriers. Mary did not have a Trust. Mary's house, which she had gifted to her brother in her Will, had to be sold to meet the cost of Steven's award from the estate. On top of this, the Court held that both sides' legal fees were to be paid from the estate.

Many people think that Trusts are just for the 'wealthy' and that the set-up costs outweigh any benefit they could gain from having one. However, Trusts are a practical tool used by everyday people to protect their assets from unwanted claims. Unfortunately for Mary's relatives, the costs to her estate as a result of Steven's claim vastly dwarf the price of setting up a Trust during her lifetime.

Are you a homeowner or business owner? A Trust could be a sensible structure for separating and protecting your assets. Have a chat with our friendly team to find out how a Trust could help you.



Introducing Footprint New Zealand Ltd – Perpetual Guardian's new sister company

At Perpetual Guardian, we're very proud of our rich history of being the premier provider of Estate Planning Services for New Zealanders.

We also continually look to improve the estate planning experience for our clients.

That's why, when we noticed an increasing demand for online services within New Zealand, we decided to act. The launch of our new sister company, Footprint New Zealand Ltd means we can now provide an enhanced online estate planning service.

Why change?

An independent survey conducted in 2014 showed that only 15% of people were open to the idea of preparing a Will online.

By 2018, this had increased to 82% if a solution could be found that is quick, simple and affordable.

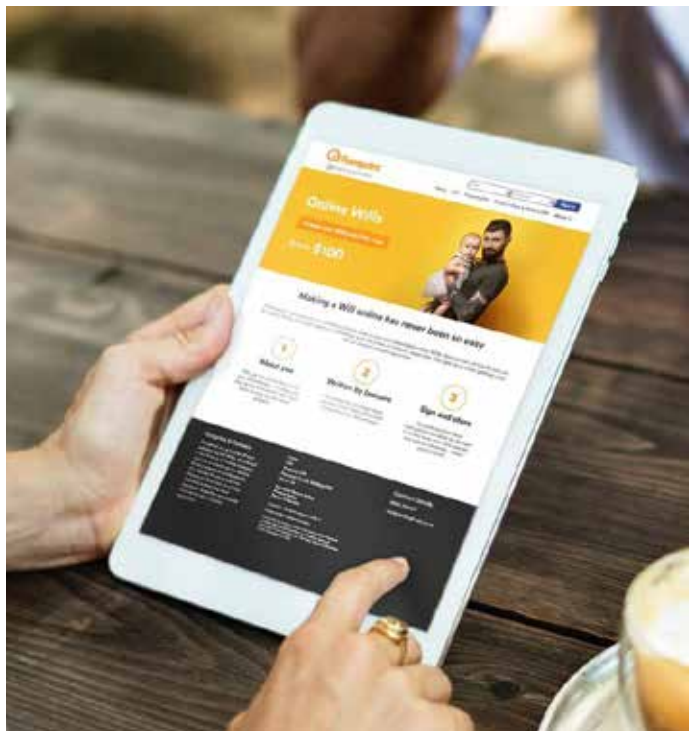
Following the recent reform of the Financial Advisor regime and the Financial Market Authority's increased focus on conduct, we wanted to provide New Zealanders with the option of creating a Will online that meets all legal obligations and is simple to complete.

It's all part of our 'client first' philosophy.

What does this mean for you?

There is no change to the way you interact with your team at Perpetual Guardian. When it comes to updating your Will, we will still contact you to find out your needs and preferences.

If you have completed your Will online before, you will notice a new logo and a different look on our digital Wills site, now found on www.myfootprint.co.nz. Because your privacy is a priority for us, you will also need to register a new account. This will ensure your account is up-to-date with the latest security protocols.



Meet your Tauranga branch team

This Bay of Plenty team like finding practical solutions to your estate planning problems. Oh, and they're partial to some TimTams too.



**Jan Middlemiss,
Branch Manager**

What key values drive you?

Working for a great organisation and talking to people about our skilled teams and the work we do.

What do you enjoy doing when you're not working?

Spending time with family and friends, walking in the great Rotorua Redwoods and watching movies.



**Julie Osborn,
Client Assistant**

What key values drive you?

Being truthful and trusting of others, and helping people be the best they can be.

What do you enjoy doing when you're not working?

I like spending time with my husband in our house on the beach.



**Kathryn Wilkinson,
Client Manager**

What key values drive you?

I am a firm believer in respect for client's opinions and reasons why they have made their life choices.

What do you enjoy doing when you're not working?

I have two young children and they keep me busy. I love baking and cake decorating which my family receive the benefit of. I also love to study and am currently finalising my law papers (one more to go!) – but already thinking about what I can study next.



**Sue Bacon,
Client Manager**

What key values drive you?

By respecting my clients and work colleagues, being passionate about the job I do and being client focused ensures that my job is satisfying and interesting, everyday is different and everyday I feel I make a difference to my clients by helping them achieve their life goals.

What do you enjoy doing when you're not working?

I am married with four children and ten grandchildren. I like to spend time outdoors in the weekend and am a social bridge player.



**Declan Barnett,
Client Assistant**

What key values drive you?

Striving to offer our clients excellent service, and to always ensure their needs are met.

What do you enjoy doing when you're not working?

Mainly spending time with family and friends, trying to cook something new and catching up on sleep!



**Craig Roebuck,
Investment Advisor**

What key values drive you?

Honesty and integrity. In all I do, the client comes first. – knowing that the advice or solutions presented for the client are well researched and the client has a clear understanding of the positives and negatives.

What do you enjoy doing when you're not working?

Fishing, sailing and rock hunting (fossicking).

Legal focus: The 'extended' bright line test

Have you heard the one about selling a house within five years of buying it and then being taxed on the profit?

Unfortunately, this is not a joke.

Since 2015, there have been rules – known as the bright line test – which govern when the sale of a property is likely to give rise to a tax liability. From March 2018, those rules have been extended and the opportunity to be found liable for income tax on a sale is even greater than before.

The bright line test did not apply prior to October 2015. If you purchased a property before then, the rules will not apply to you, no matter when you sell. You might still be taxed on the sale, but only if you are shown to have bought the property with the intention or purpose of resale. This has traditionally been difficult to prove.

However, with the introduction of the bright line test, intention became irrelevant. If you purchased a property and sold it within two years, you would have been taxed on the gain you made on the sale.

Following a recent legislative extension to the rules, if you purchase a property after 29 March 2018, and then sell it within five years, you will be taxed on the gain.

Thankfully, the rules don't apply to every transaction. They only apply to residential land – not business premises and farmland. They also don't apply to your main home. Having said that, you can only use the main home exclusion twice over any two-year period. And, the main home exclusion does not apply if you show a regular pattern of buying and selling residential property.

We are often asked whether these rules apply if your home is owned by a Family Trust. The answer is yes. Here are a few examples how: If you elect to transfer a property to a Family Trust and the Trust chooses to sell that same property three years later, the trustees of the Trust could equally be held liable for income tax on the gain.

However, the trustees can generally use the same main home exemption as private individuals, providing the property owned by the Trust is used as the beneficiary's main home for most of the time that the Trust owns the land.

Also, if the family trust owns a property, and the title to the property needs to be transferred as a result of a change in trusteeship, the change in names of the trustees will not cause the bright-line rules to come into effect and will not trigger a tax bill as a result of that change.



But that still leaves plenty of scope to be caught.

If the Trust purchased a rental property on 1 April 2018, and sold it within 5 years, the bright line test will apply. If the Trust makes a profit on the sale, that profit will be taxed.

The idea behind the rules is to help dampen property speculation and make homes more affordable. They can, however, trip you up unexpectedly. Perpetual Guardian have a team of professionals who are trained to spot the red flags. We can let you know if a transaction is likely to fall foul of the bright line test and result in an unforeseen tax bill.

Tui Flower's Legacy

Lucy Tui Hampton Aitken, also known as Tui Flower, was a well-loved icon of the New Zealand culinary scene.

Tui grew up in Matamata before studying and training in Paris at a young age. Throughout the years she did some Le Cordon Bleu courses, was food editor for Woman's Weekly and authored numerous cookbooks. Tui, however, continued her love of cooking in her Mount Eden home after retiring.

Tui was a long-standing Perpetual Guardian client since 1999. Following her passing in August 2017, Perpetual Guardian is administering her estate in line with her wishes.

As avid collector of antiques, Tui's amazing inter-generational collection included snuff boxes and bottles, Māori artefacts, 19th century urns, jewellery, artworks, a large number of walking sticks, furniture, Chinese and Japanese collectables – and so much more. One walking stick of interest, for example, was made of wood from the house where the Treaty of Waitangi was signed in 1840.

To finalise Tui's estate according to her wishes, Cordy's, an Auckland-based auction house, held an estate auction in a two-part series in June and July, which amassed amazing public support. To date, the auction item sales have raised an outstanding value of over \$660,000.

As Tui wanted, the proceeds will be invested in the Tui Flower Foundation, which she established in 2003. This foundation is a charitable trust for development and education in household arts like cooking, nutrition, sewing and gardening

The foundation has a board of advisory trustees who were selected for their skills and knowledge in the relevant areas. They will ensure scholarships are awarded to recipients when Tui's estate is finalised.

It is an enormous privilege to work with our clients and bring their vision to life. By forming close

relationships with our clients, we get to be part of many exciting projects like this one. We look forward to carrying Tui's legacy forward and ensuring her wishes are honoured.

If you're interested in having a conversation around Charitable Trusts, feel free contact your Client Manager.



Cooking for good!

For the second year running, members of our Auckland team headed to Ronald McDonald House (RMH) where they prepared dinner for the families staying there.

The 14 Perpetual Guardian team members put on a mouth-watering feast including, mac and cheese, honey-glazed ham, chicken curry, salad, followed by brownies and ice cream for dessert.

Ronald McDonald House in Auckland accommodates around 2,000 families every year. They offer a home away from home for families with children receiving specialist care in Starship Hospital.

During an unsettled time, they provide comfortable lodgings and meals for families to enjoy away from the hospital environment.

Our team had lots of fun preparing and serving the menu. They ended the night feeling humbled by the resilience of the families in the face of all they go through.

There are also Ronald McDonald Houses in Wellington and Christchurch. You can support RMH in lots of different ways – from cooking nights through to gardening and tidying up the grounds.

To find out more about the valuable work they do and the ways you can get involved, visit www.rmhc.org.nz.



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